REPORT NO. 2014-151
MARCH 2014

incr

MONROE COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2013

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENTS

Board members and the Superintendents who served during the 2012-13 fiscal year are listed below:

	District No.
Robin Smith-Martin	1
Andy Griffiths, Vice Chair to 11-19-12, Chair from 11-20-12	2
Dr. R. Duncan Mathewson, III, to 11-19-12	3
Ed Davidson from 11-20-12	3
John R. Dick, Chair to 11-19-12	4
Ronald A. Martin, Vice Chair from 11-20-12	5

Dr. Jesus F. Jara, Superintendent to 7-31-12
Mark T. Porter, Interim Superintendent from 8-1-12 to 9-4-12,
Superintendent from 9-5-12

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was James A. Bell, CPA, and the audit was supervised by Ramon A. Gonzalez, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Director, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 412-2863.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

MONROE COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the District's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States; however, we noted certain additional matters as summarized below.

ADDITIONAL MATTERS

Finding No. 1: The Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes, and had not adopted policies and procedures for employee salary adjustments.

Finding No. 2: The District's Workers' Compensation/General Liability Internal Service Fund had a $1,239,721 net position deficit at June 30, 2013.

Finding No. 3: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding No. 4: Payroll processing procedures could be enhanced to ensure that all employee work time is appropriately documented and approved, accurately recorded, and reconciled to payroll leave records.

Finding No. 5: Journal entries were not always timely reviewed and approved by supervisory personnel.

Finding No. 6: Improvements could be made to ensure that vehicle logs for District-owned vehicles are properly maintained and reviewed by supervisory personnel.

Finding No. 7: Controls over facilities construction and maintenance activities could be enhanced.

Finding No. 8: Enhancements could be made to ensure that payments made on guaranteed maximum price construction contracts are consistent with contract terms and supporting documentation.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Title I, Special Education Cluster, and Race-to-the-Top programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs, except for the Special Education Cluster programs. A noncompliance and control deficiency finding is summarized below.

Federal Awards Finding No. 1: The District did not have procedures to monitor its compliance with maintenance of effort requirements, resulting in $1,330,629 of questioned costs.

Audit Objectives and Scope

Our audit objectives were to determine whether the Monroe County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2013-170.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2013. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent District records in connection with the application of procedures required by auditing standards generally accepted in the United States of America; applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-133.

AUDITOR GENERAL
STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

DAVID W. MARTIN, CPA
AUDITOR GENERAL

PHONE: 850-412-2722
FAX: 850-488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Monroe County District School Board, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 15 percent of the assets and 18 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, as described in note I to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Monroe County District School Board as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note II to the financial statements, the District early implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which affects the comparability of amounts reported for the 2012-13 fiscal year with amounts reported for the 2011-12 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, BUDGETARY COMPARISON SCHEDULE - GENERAL AND MAJOR SPECIAL REVENUE FUNDS, SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN, SCHEDULE OF FUNDING PROGRESS - EARLY RETIREMENT PLAN, SCHEDULE OF EMLOYER CONTRIBUTIONS - EARLY RETIREMENT PLAN**, and **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget (OMB) Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Monroe County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

David W. Martin, CPA
Tallahassee, Florida
March 18, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

The management of the Monroe County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the District's financial activities, (c) identify changes in the District's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds. Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012-13 fiscal year are as follows:

- The District's total net position increased by $16 million, or 7 percent, after a prior period adjustment to reduce beginning net position by $0.378 million for early adoption of Governmental Accounting Standards Board (GASB) Statement No. 65.
- General revenues totaled $109.6 million, or 96.2 percent of all revenues in the 2012-13 fiscal year, compared to $107.8 million, or 96.2 percent in the prior fiscal year. Program-specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled $4.3 million, or 3.9 percent, compared to $4.2 million, or 3.8 percent, in the prior fiscal year.
- Expenses total $97.9 million. Only $4.3 million of these expenses was offset by program specific charges with the remainder paid from general revenues.
- The sum of the assigned and unassigned fund balances of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled $9.1 million at June 30, 2013, or 11.9 percent of General Fund expenditures. The prior fiscal year sum of the assigned and unassigned fund balances in the General Fund was $4.1 million, or 5.2 percent of total General Fund expenditures.
- During the current fiscal year, General Fund revenues exceeded expenditures by $1.2 million. This may be compared to last fiscal year's results in which General Fund expenditures exceeded revenues by $4.2 million.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. Assets less liabilities equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position and the results of operations during the fiscal year. Over a period of time, changes in the District's net position are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property tax base, student enrollment, and the condition of the

District's capital assets, including its school buildings and administrative facilities. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

The government-wide statements present the District's activities in the following categories:

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

- Component units – The District presents six separate legal entities in this report. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Big Pine Elementary Academy, Inc.; Key West Independent Education, Inc., d/b/a Key West Collegiate School; Montessori Elementary Charter School, Inc.; Montessori Island Charter School Inc., d/b/a Treasure Village Montessori School; Ocean Studies Charter School, Inc.; and Sigsbee Charter School, Inc., are reported separately from the District as aggregate discretely presented component units. Financial information for these component units is reported separately from the financial information presented for the primary government.

  The Monroe School Board Leasing Corp. (Corporation), although a legal separate entity, was formed to facilitate financing for the acquisition of facilities and equipment. Due to the substantive economic relationship between the School Board and the Corporation, the Corporation is included as an integral part of the District.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entitywide perspective contained in the government-wide statements. All of the District's funds may be classified within one of the broad categories discussed below.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds use a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. In particular, the sum of the assigned and unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Other Fund, Special Revenue – Federal Economic Stimulus Fund, Debt Service – Other Fund, Debt Service – ARRA Economic Stimulus Fund, Capital Projects – Local Capital Improvement Fund, Capital Projects – Other Fund, and Capital Projects – ARRA Economic Stimulus Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General Fund, the Special Revenue – Other Fund, and the Special Revenue – Federal Economic Stimulus Fund to demonstrate compliance with the budget.

Proprietary Funds: Proprietary funds, such as internal service funds, are established to account for activities in which a fee is charged for services. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses internal service funds to account for self-insurance programs, which are supported in part through user charges. Since these services predominantly benefit governmental functions, the internal service funds have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements. The internal service funds are combined into a single, aggregated column in the proprietary fund financial statements.

Fiduciary Funds: Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District uses a pension trust fund to account for the resources used to finance the early retirement plan.

The District uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide other postemployment benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This section presents condensed financial information from the government-wide statements that compares the current fiscal year to the prior fiscal year. As noted earlier, net position over time may serve as a useful indicator of a government's financial health.

Statement of Net Position

A summary statement of net position, presented as Table 1, shows that the District's combined net position increased 7 percent, or $16 million, to $242.9 million. Total assets reported were $339.7 million, and total liabilities reported were $96.8 million. An increase in net position is an indication that the District's financial health is improving. The analysis below focuses on the net position of the governmental activities.

Table 1
Net Position, End of Year
(In thousands)

	06-30-13	06-30-12	Increase (Decrease)
Current and Other Assets	$ 54,959	$ 60,686	$ (5,727)
Capital Assets	284,718	283,148	1,570
Total Assets	339,677	343,834	(4,157)
Long-Term Liabilities	92,512	108,201	(15,689)
Other Liabilities	4,300	8,373	(4,073)
Total Liabilities	96,812	116,574	(19,762)
Net Position:			
Net Investment in Capital Assets	206,454	200,927 (1)	5,527
Restricted	33,456	29,279	4,177
Unrestricted (Deficit)	2,955	(2,946)	5,901
Total Net Position	$ 242,865	$ 227,260 (1)	$ 15,605

Note: (1) The early adoption of GASB Statement No. 65 resulted in a prior period adjustment to reduce beginning net position by $.378 million, which is not reflected in the June 30, 2012, net position balance above. After consideration of the prior period adjustment, net position increased by $15.9 million. See note II to the financial statements.

Total Assets. Total assets were $339.7 million and consisted of two components: current and other assets, and capital assets.

- Current and Other Assets - The largest component of current and other assets are cash and investments, which comprise $51.7 million, or 94 percent of the current and other assets of $55 million.
- Capital assets – As shown in detail in Table 2, capital assets totaled $284.7 million, which represents an increase of $1.6 million from the prior fiscal year.

Table 2
Capital Assets, at Year-end
(net of depreciation, in thousands)

	6-30-13	6-30-12	Increase (Decrease)
Land	$ 6,535	$ 6,535	$
Construction in Progress		25,528	(25,528)
Buildings and Improvements	275,555	244,399	31,156
Furniture, Fixtures and Equipment	1,184	3,754	(2,570)
Motor Vehicles	1,397	2,870	(1,473)
Audio Visual Materials and Computer Software	47	62	(15)
Total	$ 284,718	$ 283,148	$ 1,570

Construction in progress decreased by $25.5 million due to completion of construction of the new Horace O'Bryant School. Additional information on the District's capital assets can be found in Note IV.C, to the financial statements.

Total Liabilities. Total liabilities consisted of two components: long-term liabilities and current and other liabilities.

- Long-term liabilities totaled $92.5 million, of which $78.3 million relates to financing construction projects (Table 3). The remaining balance includes $6.4 million for compensated absences payable, $3.6 million for other postemployment benefits payable, $4.1 million for estimated insurance claims payable, and $0.03 million for employee severance benefits payable.

Table 3
Outstanding Capital-Related Debt, at Year-end
(in thousands)

	6-30-13	6-30-12	Increase (Decrease)
State School Bonds Payable	$ 495	$ 775	$ (280)
Revenue Bonds Payable	30,292	42,190	(11,898)
Certificates of Participation Payable	47,477	49,427	(1,950)
Total	$ 78,264	$ 92,392	$ (14,128)

- The District's capital-related debt decreased by $14.1 million from scheduled debt service payments and refunding of the District's 2007 Subordinated Sales Tax Revenue Bonds.
- Current and other liabilities totaled $4.3 million and consisted primarily of payroll-related payables ($2.5 million) and accounts payable ($1.6 million).
- More detailed information about the District's long-term liabilities is presented in notes IV.E through K to the financial statements.

Net Position. Net Position is composed of three sections: net investment in capital assets; restricted; and unrestricted. As shown in Table 4, total net position increased by $16 million.

Table 4
Net Position
(in thousands)

	6-30-13	6-30-12	Increase (Decrease)
Net Investment in Capital Assets	$ 206,454	$ 200,927 (1)	$ 5,527
Restricted	33,456	29,279	4,177
Unrestricted (Deficit)	2,955	(2,946)	5,901
Total	$ 242,865	$ 227,260 (1)	$ 15,605

Note: (1) Before prior period adjustment. See note II to the financial statements.

Net Investment in Capital Assets. This component of net position consists of capital assets, net of depreciation, and is reduced by the outstanding balances of bonds and certificates of participation attributed to the acquisition, construction, or improvement of these assets. The net investment in capital assets increased by $5.9 million after a prior period adjustment.

Net Position, Restricted. Net position is reported as restricted when constraints are placed on assets either externally by grantors, contributors, or laws or regulations of other governments. Net position, restricted increased for the 2012-13 fiscal year by $4.2 million mainly from the increase in the debt service sinking fund requirements and increases in restricted fund balances in the debt service and capital projects funds.

Net Position, Unrestricted. Net position, unrestricted represents resources that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements and totaled $3 million at June 30, 2013, an increase of $5.9 million for the 2012-13 fiscal year.

Statement of Activities

A summary statement of activities, presented in Table 5, represents the revenues, expenses, and change in net position. Revenues totaled $113.9 million, expenses totaled $97.9 million, and a $0.4 million adjustment to beginning net position, as described in note II to the financial statements, resulted in an increase in net position of $16 million.

Table 5
Summary Statement of Activities
(in thousands)

	2012-13	2011-12	Increase (Decrease)
Program Revenues			
Charges for Services	$ 1,664	$ 1,632	$ 32
Operating Grants and Contributions	2,213	2,139	74
Capital Grants and Contributions	418	450	(32)
General Revenues			
Property Taxes Levied for Operational Purposes	59,477	57,990	1,487
Property Taxes Levied for Capital Projects	9,409	9,442	(33)
Local Sales Taxes	15,205	13,441	1,764
Grants and Contributions - Not Restricted	23,437	25,298	(1,861)
Unrestricted Investment Earnings	526	370	156
Gain on Sale of Capital Assets			
Miscellaneous	1,507	1,290	217
Total Revenues	113,856	112,052	1,804
Functions/Program Expenses			
Instruction	50,375	52,496	(2,121)
Pupil Personnel Services	4,123	4,355	(232)
Instructional Media Services	763	760	3
Instruction and Curriculum Development Services	1,977	2,185	(208)
Instructional Staff Training	1,277	1,310	(33)
Instruction Related Technology	844	974	(130)
School Board	761	1,100	(339)
General Administration	821	861	(40)
School Administration	3,819	4,077	(258)
Facilities Acquisition and Construction	2,459	5,589	(3,130)
Fiscal Services	778	817	(39)
Food Services	3,102	3,266	(164)
Central Services	1,571	1,934	(363)
Pupil Transportation Services	3,013	5,498	(2,485)
Operation of Plant	5,453	6,008	(555)
Maintenance of Plant	2,151	2,150	1
Administrative Technology Services	352	362	(10)
Community Services	634	706	(72)
Unallocated Interest on Long-term Debt	4,081	4,332	(251)
Unallocated Depreciation Expense	8,345	8,371	(26)
Loss on Disposal of Capital Assets	1,174		1,174
Total Functions/Program Expenses	97,873	107,151	(9,278)
Change in Net Position	15,983	4,901	11,082
Net Position - Beginning	227,260	222,359	4,901
Adjustment to Beginning Net Position	(378)		(378)
Net Position - Ending	$ 242,865	$ 227,260	$ 15,605

Revenues. Revenues totaled $113.9 million, which is an increase of $1.8 million (1.6 percent) from the $112.1 million for the 2011-12 fiscal year. Property tax revenue for operational purposes increased by $1.5 million due primarily to a 0.095 mill increase in the millage rate.

Expenses. Total expenses decreased by $9.3 million, or 8.7 percent, from the $107.2 million expended for the 2011-12 fiscal year. The decrease in total expenses occurred mainly from decreased student enrollment, cost control measures, and a reduced number of non-capitalized remodeling and renovation projects.

FUND FINANCIAL ANALYSIS

Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often requires certain budgetary disclosures. The focus of the financial statements is on major funds, as summarized in Table 6. Fund statements present the financial information of each major fund in a separate column and all nonmajor funds are aggregated and displayed in a single column. The criteria for major fund presentation are:

- Total assets, liabilities, revenues, or expenditures of that individual fund are at least 10 percent of the corresponding total (assets, liabilities, etc.) for all funds, and
- Total assets, liabilities, revenues, or expenditures of that individual fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined. The District had no enterprise funds during the 2012-13 fiscal year.
- The Florida Department of Education has directed that the Federal Economic Stimulus, Debt Service – ARRA Economic Stimulus, and Capital Projects - ARRA Economic Stimulus Funds be reported as major funds.
- Management also has the discretion to present funds not meeting these criteria as major funds if it may be of public interest or to maintain consistency in financial reporting.
- The District reports eight major funds for the 2012-13 fiscal year:
    - General Fund
    - Special Revenue – Other Fund
    - Special Revenue – Federal Economic Stimulus Fund
    - Debt Service – Other Fund
    - Debt Service – ARRA Economic Stimulus Fund
    - Capital Projects – Local Capital Improvement Fund
    - Capital Projects – Other Fund
    - Capital Projects - ARRA Economic Stimulus Fund

Table 6
Summary Statement of Revenues, Expenditures, and Changes in Fund Balance
(in thousands)

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service-Other Fund	Debt Service - ARRA Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Capital Projects - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
Total Revenues	$ 76,954	$ 5,814	$ 387	$ 164	$ 1,892	$ 9,603	$ 15,325	$ 1	$ 3,629	$ 113,769
Total Expenditures	(75,802)	(5,814)	(387)	(21,486)	(2,060)	(1,224)	(2,660)	(9,667)	(3,406)	(122,506)
Financing Sources (Uses)	3,243			19,740	2,290	(7,962)	(11,421)		(86)	5,804
Net Changes in Fund Balances	4,395			(1,582)	2,122	417	1,244	(9,666)	137	(2,933)
Fund Balances, Beginning	5,378			10,511	4,241	7,551	11,105	9,666	708	49,160
Fund Balances, Ending	$ 9,773	$ 0	$ 0	$ 8,929	$ 6,363	$ 7,968	$ 12,349	$ 0	$ 845	$ 46,227

The District reported 77.1 percent of total revenues from local sources, including funds reported from property tax levies and the local sales tax revenues. Federal funds accounted for 9.9 percent of total revenues reported, while State funds contributed 13 percent. Governmental fund revenues totaled $113.8 million, which is an increase of $2 million over the 2011-12 fiscal year. A summary of the District's funding sources are shown in Table 7 below.

Table 7
Revenues
(in thousands)

	2013	2012	Increase (Decrease)
Federal Direct	$ 3,552	$ 3,706	$ (154)
Federal Through State and Local	7,717	9,063	(1,346)
State	14,799	15,119	(320)
Local	87,701	83,865	3,836
Total	$ 113,769	$ 111,753	$ 2,016

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned plus assigned fund balance is $9.1 million while the total fund balance is $9.8 million. The total fund balance increased by $4.4 million during the fiscal year. Key factors contributing to this change are as follows:

- Revenues increased $1.4 million mainly from an increase in Federal revenue of $0.04 million and an increase in local revenue of $1.7 million, partially offset by a decrease in State revenue of $0.3 million.

- Expenditures decreased $4 million. The District continues to reduce expenditures and conserve resources to the extent practicable without significantly impacting direct instructional activities.

The Special Revenue – Other Fund accounts for the financial resources of certain Federal grant programs. Revenues and expenditures totaled $5.8 million each, which were mainly used for instructional salaries and benefits for the 2012-13 fiscal year. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate fund balance. The Special Revenue Fund – Other Fund activity decreased from $7 million to $5.8 million primarily due to sequestration holdbacks and termination of the Twenty-First Century Community Learning Centers grant program.

The Special Revenue - Federal Economic Stimulus Fund accounts for certain Federal grant program resources related to ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act and the Education Jobs Fund programs. Revenues and expenditures totaled $0.4 million each, which were mainly used for instructional salaries and benefits for the 2012-13 fiscal year. Because grant revenues and expenditures are recognized like the Special Revenue – Other Fund, this fund generally does not accumulate fund balance.

The Debt Service – Other Fund had a total fund balance of $8.9 million, which is restricted for debt service. The significant activities during the fiscal year were the refunding of the District's Series 2007 Revenue Bonds and scheduled sales tax revenue bond and certificates of participation debt payments. Proceeds to fund these payments were transferred in from various capital projects funds.

The Debt Service – ARRA Economic Stimulus Fund had a total fund balance of $6.4 million, which is restricted for debt service. The significant activity during the fiscal year was the qualified school construction bond (QSCB) certificates of participation debt payments. Proceeds to fund these payments were transferred in from various capital projects funds.

The Capital Projects – Local Capital Improvement Fund had a total fund balance of $8 million, which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by $0.4 million because of an increase in miscellaneous local revenues and a reduction in transfers out for debt service during the 2012-13 fiscal year. It should be noted that fund balance of $0.2 million has been encumbered for specific projects.

The Capital Projects – Other Fund has a total fund balance of $12.3 million, of which $9.1 million is restricted for the acquisition, construction, and maintenance of capital assets, and $3.2 million of fund balance has been assigned for certain capital projects. The fund balance increased $1.2 million in the current fiscal year. The increase in fund balance for the current year is mainly due to sales tax collection increases. It should be noted that fund balance of $0.9 million has been encumbered for specific projects.

The Capital Projects – ARRA Economic Stimulus Fund has a total fund balance of zero. The fund balance decreased $9.7 million in the current fiscal year. The decrease in fund balance for the current year is mainly because of the use of qualified school construction bond (QSCB) certificates of participation proceeds received in the prior fiscal year for the construction of a new middle school.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the fiscal year, the District revised its General Fund budget several times. These budget amendments fall primarily into three categories. The first category includes amendments and supplemental appropriations that were approved periodically throughout the fiscal year to record new grants. The second category includes changes in revenue estimates from the State of Florida Education Finance Program (FEFP) during the fiscal year. Finally, the Board approved transfers between expenditure functions and objects. There were no significant variances between the original and final budget amounts or between the final budget and actual amounts.

NON-FINANCIAL EVENTS

During the fiscal year, the District completed construction of the Horace O'Bryant School in Key West at a cost of $36.6 million. Also, the District's student enrollment decreased by 85 FTE, or 1.1 percent from the prior fiscal year. The State funding formula discussed below is enrollment dependent; consequently, changes in enrollment directly impact the amount of funding available to the District.

OTHER MATTERS OF SIGNIFICANCE

The District's economic position for general operating purposes is closely tied to that of the State. The formula for determining funding for education is set by statute. State funds to school districts are provided primarily by Legislative appropriations from the State's general revenue funds and required local effort property tax levies under the FEFP, and State funding for operations is primarily from sales, gasoline, and corporate income taxes. Additionally, the level of tourism in the State heavily influences the amount of taxes collected. Significant changes in State revenue collections and property tax could directly impact future District revenue allocations.

As noted in note VI.B to the financial statements, the District received financial assistance from Federal and State agencies in the form of grants and appropriations. As of June 30, 2013, questioned costs relating to the disbursement of funds received under these programs totaled $2 million. The repayment of any disallowed costs will negatively impact the General Fund. The District has assigned fund balance totaling $0.7 million to help mitigate the impact should repayments be required. Subsequent to June 30, 2013, the District received letters of final determination from the Florida Department of Education stating that certain questioned costs totaling $0.1 million were to be restored to the grant programs and that questioned costs totaling $0.6 million would not have to be restored to the grant programs. A final determination regarding restoration of the remaining questioned costs totaling $1.3 million is pending.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Monroe County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of Finance and Performance, Monroe County School Board, 241 Trumbo Road, Key West, Florida 33040.

BASIC FINANCIAL STATEMENTS

MONROE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash	$ 41,012,334.86	$ 2,098,331.00
Investments	1,471,751.10	756,125.00
Accounts Receivable	23,585.72	48,272.00
Due from Other Agencies	2,678,941.88	18,250.00
Prepaid Items	471,452.38	197,245.00
Other Assets		24,858.00
Restricted Investments	9,200,367.14	
Inventories	100,920.82	
Capital Assets:		
Nondepreciable Capital Assets	6,535,312.33	2,824,308.00
Depreciable Capital Assets, Net	278,182,541.96	5,342,565.00
TOTAL ASSETS	339,677,208.19	11,309,954.00
LIABILITIES		
Salaries and Benefits Payable	2,368,786.70	490,780.00
Payroll Deductions and Withholdings	174,339.59	
Accounts Payable	1,588,566.47	160,890.00
Notes Payable		35,550.00
Due to Other Agencies	116,838.49	
Deposits Payable	51,640.84	
Compensated Absences Payable		72,082.00
Long-Term Liabilities:		
Portion Due Within One Year	14,864,814.36	
Portion Due After One Year	77,647,005.90	
TOTAL LIABILITIES	96,811,992.35	759,302.00
NET POSITION		
Net Investment in Capital Assets	206,453,854.29	8,166,873.00
Restricted for:		
State Required Carryover Programs	221,643.59	
Debt Service	15,307,363.05	
Capital Projects	17,311,185.45	
Food Service	616,170.18	
Unrestricted	2,954,999.28	2,383,779.00
TOTAL NET POSITION	$ 242,865,215.84	$ 10,550,652.00

The accompanying notes to financial statements are an integral part of this statement.

MONROE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental Activities:				
Instruction	$ 50,374,881.68	$ 76,805.84	$	$
Pupil Personnel Services	4,122,684.79			
Instructional Media Services	763,250.51			
Instruction and Curriculum Development Services	1,976,805.85			
Instructional Staff Training Services	1,277,433.94			
Instruction Related Technology	844,143.42			
School Board	761,163.07			
General Administration	820,601.78			
School Administration	3,818,755.68			
Facilities Acquisition and Construction	2,459,318.93			142,420.64
Fiscal Services	777,884.69			
Food Services	3,101,573.64	995,349.32	2,212,832.08	
Central Services	1,570,726.12			
Pupil Transportation Services	3,013,233.43	24,990.50		
Operation of Plant	5,453,336.39			
Maintenance of Plant	2,150,848.94			
Administrative Technology Services	351,985.88			
Community Services	633,536.96	566,710.20		
Unallocated Interest on Long-Term Debt	4,081,382.34			275,600.21
Unallocated Depreciation Expense*	8,344,508.14			
Loss on Disposal of Capital Assets	1,173,822.71			
Total Primary Government	$ 97,871,878.89	$ 1,663,855.86	$ 2,212,832.08	$ 418,020.85
Component Units				
Charter Schools	$ 9,138,941.00	$ 218,210.00	$ 0.00	$ 86,202.00

General Revenues:
Taxes:
Property Taxes, Levied for Operational Purposes
Property Taxes, Levied for Capital Projects
Local Sales Taxes
Grants and Contributions Not Restricted to Specific Programs
Unrestricted Investment Earnings
Miscellaneous

Total General Revenues

Change in Net Position

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

Net Position - Ending

* This amount excludes the depreciation that is included in the direct expenses of the various functions.

The accompanying notes to financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position	
Primary Government	Component Units
Governmental Activities	
$ (50,298,075.84)	$
(4,122,684.79)	
(763,250.51)	
(1,976,805.85)	
(1,277,433.94)	
(844,143.42)	
(761,163.07)	
(820,601.78)	
(3,818,755.68)	
(2,316,898.29)	
(777,884.69)	
106,607.76	
(1,570,726.12)	
(2,988,242.93)	
(5,453,336.39)	
(2,150,848.94)	
(351,985.88)	
(66,826.76)	
(3,805,782.13)	
(8,344,508.14)	
(1,173,822.71)	
(93,577,170.10)	
	(8,834,529.00)
59,476,512.63	
9,408,792.80	
15,205,185.53	
23,437,140.26	9,028,653.00
526,301.90	7,230.00
1,507,223.50	650,654.00
109,561,156.62	9,686,537.00
15,983,986.52	852,008.00
227,259,637.82	9,698,644.00
(378,408.50)	
226,881,229.32	9,698,644.00
$ 242,865,215.84	$ 10,550,652.00

MONROE COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service - Other Fund	Debt Service - ARRA Economic Stimulus Fund
ASSETS					
Cash	$ 10,579,069.89	$ 160,087.55	$	$ 6,091,005.41	$
Investments	4,397.58				
Accounts Receivable	12,894.97				
Due from Other Funds	941,509.94				
Due from Other Agencies	446,207.81	789,154.39	18,569.77		
Prepaid Items	471,452.38				
Restricted Investments				2,837,965.76	6,362,401.38
Inventories	22,154.41				
TOTAL ASSETS	$ 12,477,686.98	$ 949,241.94	$ 18,569.77	$ 8,928,971.17	$ 6,362,401.38
LIABILITIES AND FUND BALANCES					
Liabilities:					
Salaries and Benefits Payable	$ 2,368,786.70	$	$	$	$
Payroll Deductions and Withholdings	148,466.44	17,181.23	108.16		
Accounts Payable	170,545.99	56,296.24			
Due to Other Funds		873,914.39	18,461.61		
Due to Other Agencies	11,424.23	1,850.08			
Deposits Payable	5,224.92				
Total Liabilities	2,704,448.28	949,241.94	18,569.77		
Fund Balances:					
Nonspendable:					
Inventories	22,154.41				
Prepaid Amounts	471,452.38				
Total Nonspendable Fund Balance	493,606.79				
Restricted for:					
Food Service					
State Required Carryover Programs	221,643.59				
Debt Service				8,928,971.17	6,362,401.38
Capital Projects					
Total Restricted Fund Balance	221,643.59			8,928,971.17	6,362,401.38
Assigned for:					
Capital Projects					
Questioned Federal Costs	651,902.42				
Contractual Agreements	541,011.10				
Project Carryover	378,544.21				
Health Self-Insurance Safe Harbor	240,334.36				
Workers' Compensation Fund Deficit	1,239,720.72				
Total Assigned Fund Balance	3,051,512.81				
Unassigned Fund Balance	6,006,475.51				
Total Fund Balances	9,773,238.70			8,928,971.17	6,362,401.38
TOTAL LIABILITIES AND FUND BALANCES	$ 12,477,686.98	$ 949,241.94	$ 18,569.77	$ 8,928,971.17	$ 6,362,401.38

The accompanying notes to financial statements are an integral part of this statement.

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Capital Projects - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
$ 6,945,462.13	$ 11,157,521.81	$	$ 795,820.21	$ 35,728,967.00
1,046,700.66	378,426.73		15,990.50	1,445,515.47
5,570.40	460.00		4,660.35	23,585.72
				941,509.94
3,167.91	1,150,987.93		58,629.27	2,466,717.08
				471,452.38
				9,200,367.14
			78,766.41	100,920.82
$ 8,000,901.10	$ 12,687,396.47	$	$ 953,866.74	$ 50,379,035.55
$	$	$	$	$ 2,368,786.70
			8,583.76	174,339.59
33,349.57	235,814.55		4,210.67	500,217.02
			49,133.94	941,509.94
	102,847.06		717.12	116,838.49
			46,415.92	51,640.84
33,349.57	338,661.61		109,061.41	4,153,332.58
			78,766.41	100,920.82
				471,452.38
			78,766.41	572,373.20
			537,403.77	537,403.77
				221,643.59
			15,990.50	15,307,363.05
7,967,551.53	9,130,989.27		212,644.65	17,311,185.45
7,967,551.53	9,130,989.27		766,038.92	33,377,595.86
	3,217,745.59			3,217,745.59
				651,902.42
				541,011.10
				378,544.21
				240,334.36
				1,239,720.72
	3,217,745.59			6,269,258.40
				6,006,475.51
7,967,551.53	12,348,734.86		844,805.33	46,225,702.97
$ 8,000,901.10	$ 12,687,396.47	$ 0.00	$ 953,866.74	$ 50,379,035.55

MONROE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013

Total Fund Balances - Governmental Funds		$ 46,225,702.97
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		284,717,854.29
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		298,406.84
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:		
Bonds Payable	$ 30,787,000.00	
Certificates of Participation Payable	47,477,000.00	
Compensated Absences Payable	6,441,915.90	
Employee Severance Benefits Payable	32,832.36	
Other Post Employment Benefits Payable	3,638,000.00	(88,376,748.26)
Net Position - Governmental Activities		$ 242,865,215.84

The accompanying notes to financial statements are an integral part of this statement.

THIS PAGE INTENTIONALLY LEFT BLANK.

MONROE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service - Other Fund	Debt Service - ARRA Economic Stimulus Fund
Revenues					
Intergovernmental:					
Federal Direct	$ 326,038.49	$ 1,335,651.30	$	$	$ 1,890,641.49
Federal Through State and Local	675,760.20	4,478,700.49	387,171.77		
State	14,345,445.35				
Local:					
Property Taxes	59,476,512.63				
Local Sales Taxes					
Charges for Services - Food Service					
Miscellaneous	2,130,563.29			164,231.12	1,205.76
Total Local Revenues	61,607,075.92			164,231.12	1,205.76
Total Revenues	76,954,319.96	5,814,351.79	387,171.77	164,231.12	1,891,847.25
Expenditures					
Current - Education:					
Instruction	48,888,304.49	2,758,173.30	172,414.94		
Pupil Personnel Services	3,108,090.26	1,139,340.19			
Instructional Media Services	735,379.77	49,918.57			
Instruction and Curriculum Development Services	1,152,721.89	882,913.44	2,938.28		
Instructional Staff Training Services	362,636.88	728,467.94	211,818.55		
Instruction Related Technology	871,267.40				
School Board	759,477.04	9,515.00			
General Administration	684,309.93	157,419.48			
School Administration	3,918,149.09	20,262.26			
Facilities Acquisition and Construction	124,263.13				
Fiscal Services	800,028.46				
Food Services	18,730.34				
Central Services	2,787,459.16				
Pupil Transportation Services	2,694,216.47	10,442.68			
Operation of Plant	5,453,306.70	110.36			
Maintenance of Plant	2,201,663.99				
Administrative Technology Services	363,540.40				
Community Services	644,458.52				
Fixed Capital Outlay:					
Facilities Acquisition and Construction	85,985.68				
Other Capital Outlay	84,586.16	57,788.57			
Debt Service:					
Principal				19,565,000.00	
Interest and Fiscal Charges	63,375.62			1,920,649.65	2,060,374.81
Total Expenditures	75,801,951.38	5,814,351.79	387,171.77	21,485,649.65	2,060,374.81
Excess (Deficiency) of Revenues Over Expenditures	1,152,368.58			(21,321,418.53)	(168,527.56)
Other Financing Sources (Uses)					
Transfers In	3,156,928.11			14,022,501.46	2,290,055.09
Refunding Bonds Issued				5,717,000.00	
Insurance Loss Recoveries	86,177.97				
Transfers Out					
Total Other Financing Sources (Uses)	3,243,106.08			19,739,501.46	2,290,055.09
Net Change in Fund Balances	4,395,474.66			(1,581,917.07)	2,121,527.53
Fund Balances, Beginning	5,377,764.04			10,510,888.24	4,240,873.85
Fund Balances, Ending	$ 9,773,238.70	$ 0.00	$ 0.00	$ 8,928,971.17	$ 6,362,401.38

The accompanying notes to financial statements are an integral part of this statement.

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Capital Projects - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
$	$	$	$	$ 3,552,331.28
			2,175,612.08	7,717,244.54
			453,152.02	14,798,597.37
9,408,792.71				68,885,305.34
	15,205,185.53			15,205,185.53
			995,349.32	995,349.32
194,245.63	119,720.99	649.79	5,057.58	2,615,674.16
9,603,038.34	15,324,906.52	649.79	1,000,406.90	87,701,514.35
9,603,038.34	15,324,906.52	649.79	3,629,171.00	113,769,687.54
				51,818,892.73
				4,247,430.45
				785,298.34
				2,038,573.61
				1,302,923.37
				871,267.40
				768,992.04
				841,729.41
				3,938,411.35
900,872.81	1,405,138.13			2,430,274.07
				800,028.46
			3,127,478.21	3,146,208.55
				2,787,459.16
				2,704,659.15
				5,453,417.06
				2,201,663.99
				363,540.40
				644,458.52
288,409.49	1,048,003.96	9,667,153.53		11,089,552.66
24,315.00	197,523.51		1,950.00	366,163.24
			260,000.00	19,825,000.00
10,582.92	9,440.50		16,958.84	4,081,382.34
1,224,180.22	2,660,106.10	9,667,153.53	3,406,387.05	122,507,326.30
8,378,858.12	12,664,800.42	(9,666,503.74)	222,783.95	(8,737,638.76)
				19,469,484.66
				5,717,000.00
				86,177.97
(7,961,871.65)	(11,421,381.01)		(86,232.00)	(19,469,484.66)
(7,961,871.65)	(11,421,381.01)		(86,232.00)	5,803,177.97
416,986.47	1,243,419.41	(9,666,503.74)	136,551.95	(2,934,460.79)
7,550,565.06	11,105,315.45	9,666,503.74	708,253.38	49,160,163.76
$ 7,967,551.53	$ 12,348,734.86	$ 0.00	$ 844,805.33	$ 46,225,702.97

MONROE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Net Change in Fund Balances - Governmental Funds		$ (2,934,460.79)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation and adjustments to depreciation and capital asset balances in the current period.		2,743,828.69
The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.		(1,173,822.71)
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceed proceeds in the current fiscal year.		
Refunding Bonds Issued	$ (5,717,000.00)	
Bonds Refunded	7,620,000.00	
Bonds Principal Payments	10,255,000.00	
Certificates of Participation Principal Payments	1,950,000.00	14,108,000.00
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year.		143,430.76
Employee severance benefits and other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net decrease in the employee severance benefits and other postemployment benefits liability for the current period.		
Employee Severance Benefits Payable	$ 1,195,168.57	
Other Postemployment Benefits Payable	185,000.00	1,380,168.57
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.		1,716,842.00
Change in Net Position - Governmental Activities		$ 15,983,986.52

The accompanying notes to financial statements are an integral part of this statement.

MONROE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2013

		Governmental Activities - Internal Service Funds
ASSETS		
Current Assets:		
Cash	$	5,283,367.86
Investments		11.76
Due From Other Agencies		212,224.80
Total Current Assets		5,495,604.42
Noncurrent Assets:		
Investments in SBA Fund B Surplus Funds Trust Fund		26,223.87
TOTAL ASSETS	$	5,521,828.29
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	1,088,349.45
Estimated Insurance Claims Payable		2,012,982.00
Total Current Liabilities		3,101,331.45
Noncurrent Liabilities:		
Estimated Insurance Claims Payable		2,122,090.00
Total Liabilities		5,223,421.45
NET POSITION		
Unrestricted		298,406.84
TOTAL LIABILITIES AND NET POSITION	$	5,521,828.29

The accompanying notes to financial statements are an integral part of this statement.

MONROE COUNTY DISTRICT SCHOOL BOARD STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2013

		Governmental Activities - Internal Service Funds
OPERATING REVENUES		
Premium Contributions	$	13,661,343.83
Insurance Loss Recoveries		1,111,574.65
Total Operating Revenues		14,772,918.48
OPERATING EXPENSES		
Salaries		167,731.38
Employee Benefits		83,884.44
Purchased Services		1,007,130.73
Materials and Supplies		2,128.46
Insurance Claims		11,849,099.06
Total Operating Expenses		13,109,974.07
Operating Income		1,662,944.41
NONOPERATING REVENUES		
Interest Revenue		53,897.59
Change in Net Position		1,716,842.00
Total Net Position - Beginning		(1,418,435.16)
Total Net Position - Ending	$	298,406.84

The accompanying notes to financial statements are an integral part of this statement.

MONROE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2013

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Board Funds and Participants	$ 13,449,119.03
Cash Received from Insurance Loss Recoveries	1,111,574.65
Cash Received from Other Operating Revenues	30,422.35
Cash Payments to Suppliers for Goods and Services	(1,930,914.89)
Cash Payments to Employees for Services	(251,615.82)
Cash Payments for Insurance Claims	(11,906,486.06)
Net Cash Provided by Operating Activities	502,099.26
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturity of Investments	82,189.79
Interest Income	53,897.59
Net Cash Provided by Investing Activities	136,087.38
Net Increase in Cash	638,186.64
Cash, Beginning	4,645,181.22
Cash, Ending	$ 5,283,367.86

Reconciliation of Operating Income to Net Cash Used by Operating Activities:

Operating Income	$ 1,662,944.41
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Receivable	30,422.35
Due From Other Agencies	(212,224.80)
Accounts Payable	(921,655.70)
Estimated Insurance Claims Payable	(57,387.00)
Total Adjustments	(1,160,845.15)
Net Cash Provided by Operating Activities	$ 502,099.26

The accompanying notes to financial statements are an integral part of this statement.

MONROE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
June 30, 2013

	Pension Trust Fund	Agency Funds
ASSETS		
Cash	$ 194,286.96	$ 757,612.00
Investment in SBA Fund B Surplus Funds Trust Fund	1,338.43	
Certificates of Deposit		376,106.00
TOTAL ASSETS	$ 195,625.39	$ 1,133,718.00
LIABILITIES		
Internal Accounts Payable	$	$ 1,133,718.00
NET POSITION		
Held in Trust for Pension Benefits	195,625.39	
TOTAL LIABILITIES AND NET POSITION	$ 195,625.39	

The accompanying notes to financial statements are an integral part of this statement.

MONROE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2013

	Pension Trust Fund
ADDITIONS	
Contributions:	
Employer	$ 51,986.04
Investment Earnings:	
Interest	13.50
Total Additions	51,999.54
DEDUCTIONS	
Benefits Paid to Participants	51,986.04
Change in Net Position	13.50
Net Position - Beginning	195,611.89
Net Position - Ending	$ 195,625.39

The accompanying notes to financial statements are an integral part of this statement.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. The primary government is reported separately from certain legally separated component units for which the primary government is financial accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Monroe County School District's (District) governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the pupil transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The Monroe County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. Pursuant to the results of a voter referendum, the Superintendent of Schools position was changed from elected to appointed, effective November 20, 2012. The Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Monroe County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Based on the application of these criteria, the following component units are included within the District's reporting entity:

Blended Component Unit. A blended component unit, is in substance, part of the primary District's operations, even though it is a legally separate entity. Thus, a blended component unit is appropriately presented as part of the District. The Monroe School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in note IV.K. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

Discretely Presented Component Units. The component unit columns in the government-wide financial statements include the financial data of the District's other component units. A separate column is used to emphasize that they are legally separate from the District.

In accordance with Section 1002.33, Florida Statutes, the District entered into charters with each of its charter schools. The charter schools are the Big Pine Elementary Academy, Inc.; Key West Independent Education, Inc., d/b/a Key West Collegiate School; Montessori Elementary Charter School, Inc.; Montessori Island Charter School Inc., d/b/a Treasure Village Montessori School; Ocean Studies Charter School, Inc.; and Sigsbee Charter School, Inc. The charter schools are not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charter, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are a public school and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the charter school's audited financial statements for the fiscal year ended June 30, 2013. The audit reports are filed in the District's administrative offices.

C. Basis of Presentation: Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The effects of interfund activity have been eliminated from the government-wide financial statements except for interfund services provided and used.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Debt Service – Other Fund – to account for debt service related to construction borrowing.
- Debt Service – ARRA Economic Stimulus Fund – to account for principal and interest payments related to the ARRA Economic stimulus, qualified school construction bonds.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.
- Capital Projects – Other Fund – to account for financial resources earmarked for capital projects, generated by all sources not required to be reported in any other fund, such as local sales tax, certificates of participation proceeds, and Federal Emergency Management Agency proceeds.
- Capital Projects – ARRA Economic Stimulus Fund – to account for the construction activities related to the ARRA economic stimulus, qualified school construction bonds.

Additionally, the District reports the following proprietary and fiduciary fund types:

- Internal Service Funds – to account for the District's individual self-insurance programs.
- Pension Trust Fund – to account for resources used to finance the early retirement program.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

gross amounts as transfers in and out. While reported in fund financial statements, transfers between the funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

E. Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 45 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 45 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary and pension trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

The charter schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

F. Assets, Liabilities, and Net Position/Fund Balance

1. Cash

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

2. Investments

Investments consist of amounts placed in the State Board of Administration (SBA) debt service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.11845939 at June 30, 2013. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

Investments made locally consist of Federal Home Loan Bank Bonds, certificates of deposit, and money market funds and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note.

3. Inventories and Prepaid Items

Inventories consist of purchased food and donated foods of the food service program and fuel for the District's vehicles which are held for consumption in the course of District Operations. Inventories are stated at cost, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The weighted-average method is used in pricing the fuel inventory. The first-in, first-out method is used in pricing the purchased food and donated foods inventories. The costs of inventories are recorded as expenditures when used rather than purchased.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Improvements Other Than Buildings	15 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	3 - 5 years

Current year information relative to changes in capital assets is described in a subsequent note.

5. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Changes in long-term liabilities for the current year are reported in a subsequent note.

6. Net Position Flow Assumption

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted - net position to have been depleted before unrestricted – net position is applied.

7. Fund Balance Flow Assumptions

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has by approval of the annual financial report authorized the assignment of fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Also classified as assigned are amounts that are constrained to be used for specific purposes based on actions of the Superintendent. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The District reported no committed balance at June 30, 2013.

Minimum Fund Balance Policy. The District has adopted Board Policy 6210, which provides that the Board shall strive to maintain an unassigned fund balance in its operating funds equal to 5 percent of the General Fund's annual expenditures. At June 30, 2013, the District met this policy with an unassigned fund balance of 7.9 percent.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same educational programs. The Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

A schedule of revenue from State sources for the current year is presented in a subsequent note.

3. District Property Taxes

The Board is authorized by State law to levy property taxes for District school operations, capital improvements, and debt service.

Property taxes consist of ad valorem taxes on real and personal property within the District. Property values are determined by the Monroe County Property Appraiser, and property taxes are collected by the Monroe County Tax Collector.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

The Board adopted the 2012 tax levy on September 4, 2012. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become a lien on the property on January 1, and are delinquent on April 1, of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Monroe County Tax Collector at fiscal year-end but not yet remitted to the District.

Millages and taxes levied for the current year are presented in a subsequent note.

4. Capital Outlay Surtax

On August 31, 2004, the voters of Monroe County (County) approved one-half cent school capital outlay surtax on sales in the County for 10 years, effective January 1, 2006. The surtax proceeds are used to replace portable classrooms; for the renovation, rebuilding, or remodeling of District school structures that were built before 1978; for the real estate acquisitions; and for technology upgrades, in accordance with Section 212.055(6), Florida Statutes.

5. Federal Revenue Sources

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

6. Compensated Absences

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

7. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for employee health insurance premiums. Operating

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. ACCOUNTING CHANGES

Governmental Accounting Standards Board Statement No. 65. The District's early adoption of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities,* requires the District to restate the beginning net position in the governmental activities statement of activities for debt issuance deferred charges of previously issued certificates of participation. The removal of deferred charges, previously reported as an asset, from the governmental activities statement of net position, decreased beginning net position by $378,408.50 to $226,881,229.32. This reporting change affects the comparability of amounts reported for the 2012-13 fiscal year with amounts reported for the 2011-12 fiscal year.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Net Position in Individual Nonmajor Funds.

The following Internal Service Fund has a deficit net position balances at June 30, 2013:

	Beginning Net Position	Change in Net Position	Ending Net Position
Workers' Compensation/General Liability Insurance Fund	$ (1,901,332.33)	$ 661,611.61	$ (1,239,720.72)

To address the declining financial position of the Workers' Compensation/General Liability Internal Service Fund, the District increased premiums for the 2012-13 fiscal year to help restore a favorable net position balance. The District intends to continue premiums at the current rate until a favorable net position is restored.

IV. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk; however, Board Policy 6140, provides that all public funds shall be deposited in a qualified public depository, unless exempt under the laws of the State. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

Cash balances from all funds are combined and invested to extent available. Earnings are allocated to each fund based on end-of-month balances.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

B. Investments

As of June 30, 2013, the District has the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	40 Day Average	$ 263.09
Fund B	3.98 Year Average	264,099.26
Debt Service Accounts	6 Months	15,990.50
Money Market Funds:		
Fidelity Institutional Money Market Government Portfolio - Class I (1)	60 Days or Less Weighted Average	6,362,401.38
Fidelity Institutional Money Market Treasury Portfolio - Class I (3)	60 Days or Less Weighted Average	285,425.37
Fidelity Institutional Money Market Treasury Portfolio - Class III (4)	60 Days or Less Weighted Average	206.28
Federated Prime Obligations Money Market Fund	49 Day Weighted Average	250,196.57
Blackrock TempFund Institutional Money Market Fund	60 Days or Less Weighted Average	250,227.52
Fidelity Institutional Money Market Prime Money Market Portfolio - Institutional CL	60 Days or Less Weighted Average	250,239.52
Federal Home Loan Bank Bonds, 1.2 Percent (2)	December 30, 2013	2,744,196.00
JP Morgan - Prime Money Market Fund	60 Days or Less Weighted Average	250,211.18
Certificates of Deposit	Various, from July 2013 to March 2014	376,106.00
Total Investments		$ 11,049,562.67

Notes: (1) These investments are held by a paying agent in connection with the Qualified School Construction Bonds arrangement. (see note IV.K)
(2) These investments are held by a paying agent in connection with the Qualified Zone Academy Bonds financing arrangement. (see note IV.K)
(3) A portion ($6,181.54) of these investments are held by a paying agent in connection with the Qualified Zone Academy Bonds financing arrangement (see note IV.K), and a portion ($87,381.94) of these investments are held by the paying agent in connection with the Certificates of Participation Serice 2004A financing arrangement. (see note IV.K)
(4) These investments are held by a paying agent in connection with the Certificates of Participation Series 2004A financing arrangement. (see note IV.K.)

- Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District's investment policy provides that an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements. The Policy limits current short-term funds investments to a maximum of one year, and investments of bond reserves, construction moneys, and other core funds to a term appropriate to the need for moneys and in accordance with debt covenants, but not to exceed three years.

Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 2013. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

WAL, based on expected future cash flows, of Fund B at June 30, 2013, is estimated at 3.98 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

- Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy authorizes investing in the Local Government Surplus Funds Trust Fund, or any intergovernmental pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; United States Government securities; SEC registered money market funds interest-bearing time deposits or saving accounts; securities of, or other interest in, an open-ended or closed-ended management type investment company or investments trust registered under the Investment Company Act 1940; and other investments as authorized by law and not prohibited by the investment policy.

The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.

The District's investment in Florida PRIME is rated AAAm by Standard & Poor's. Fund B is unrated.

The Fidelity Institutional Money Market Government Portfolio – Class I normally invests at least 80 percent of assets in United State Government securities and repurchase agreements for those securities. As of June 30, 2013, the District's investments in the Fidelity Institutional Money Market Government Portfolio – Class I were rated AAAm by Standard & Poor's and AAA-mf by Moody's Investors Service.

The Fidelity Institutional Money Market Treasury Portfolio – Class I and the Fidelity Institutional Money Market Treasury Portfolio – Class III normally invest at least 80 percent of assets in United States Treasury securities and repurchase agreements for those securities. As of June 30, 2013, the District's investments in the Fidelity Institutional Money Market Treasury Portfolio – Class I and Fidelity Institutional Money Market Treasury Portfolio – Class III were rated AAAm by Standard & Poor's and Aaa-mf by Moody's Investors Service.

The Federated Prime Obligations Money Market Fund normally invests in short-term, high quality, fixed income securities issued by banks, corporations, and the U.S. Government, rated in the highest short-term category or of comparable quality. As of June 30, 2013, the District's investments in the Federated Prime Obligations Fund were rated AAAm by Standard & Poor's, AAAmmf by Fitch Ratings, and Aaa-mf by Moody's Investors Service.

The Blackrock TempFund Institutional Money Market Fund normally invests in a broad range of U.S. dollar-denominated money market instruments, including government, U.S. and foreign bank, and U.S. commercial obligations and repurchase agreements. As of June 30, 2013, the District's investments in the Blackrock TempFund Institutional Fund were rated AAAm by Standard & Poor's and Aaa-mf by Moody's Investors Service.

The Fidelity Institutional Money Market Prime Money Market Portfolio – Institutional CL normally invests in U.S. dollar-denominated money market securities of domestic and foreign issuers rated in

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

the highest category by at least two nationally recognized rating services, U.S. Government securities, and repurchase agreements. As of June 30, 2013, the District's investments in the Fidelity Institutional Money Market Prime Money Market Portfolio – Institutional CL were rated AAAm by Standard & Poor's and AAA-mf by Moody's Investors Service.

The JP Morgan - Prime Money Market Fund normally invests in invests in high-quality, short-term obligations that present minimal credit risk including: 1) Securities issued by the U.S. government and its agencies 2) Floating rate and variable rate demand notes of U.S. and foreign corporations 3) Commercial paper - in the highest category by Moody's Investor Services (P1) and Standard & Poor's (A1) 4) Certificates of Deposit and time deposits 5) Asset-backed securities 6) Repurchase agreements. As of June 30, 2013, the District's investments in the JP Morgan Prime Money Market Fund were rated AAAm by Standard & Poor's, AAAmmf by Fitch Ratings, and Aaa-mf by Moody's Investors Service.

The District's investment in the Federal Home Loan Bank Bonds, 1.20 percent, is rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. This investment is made pursuant to the qualified zone academy bond financing agreement, and thus is not subject to the District's investment policy.

The District's investments in certificates of deposit are in qualified public depositories.

- Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District's investment policy addresses custodial credit risk in that all securities, with the exception of certificates of deposit, shall be held with a third-party custodian; and all securities purchased by and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. Certificates of deposit will be placed in the provider's safekeeping department for the term of the deposit.

- Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy limits investments, which are subject to concentration of credit risk, to a maximum of 10 percent of available moneys. This policy does not apply to pension moneys, trust funds, and debt proceeds where there are other existing policies, resolutions, or indentures in effect for the investment of such moneys. Moneys held by State agencies (e.g., Florida Department of Education) are also not subject to the provisions of this policy.

The District investments in the Federal Home Loan Bank Bonds are 24.8 percent of the District's total investments and 96.7 percent of the investments in the Debt Service – Other Fund. These

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

investments are made pursuant to agreements with the qualified zone academy bonds paying agents (see note IV.K).

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Adjustments (1)	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land	$ 6,535,312.33	$	$	$	$ 6,535,312.33
Construction in Progress	25,527,566.82	6,477.52	11,035,409.04	36,569,453.38	
Total Capital Assets Not Being Depreciated	32,062,879.15	6,477.52	11,035,409.04	36,569,453.38	6,535,312.33
Capital Assets Being Depreciated:					
Improvements Other Than Buildings	12,375,597.49		105,773.36		12,481,370.85
Buildings and Fixed Equipment	281,926,008.93		36,593,608.43	3,490,333.00	315,029,284.36
Furniture, Fixtures, and Equipment	21,553,991.04	142,848.86	241,491.01	3,787,500.37	18,150,830.54
Motor Vehicles	6,695,978.44		14,000.00	230,329.24	6,479,649.20
Audio Visual Materials and Computer Software	3,910,513.80	27,495.60	34,887.34	198,114.71	3,774,782.03
Total Capital Assets Being Depreciated	326,462,089.70	170,344.46	36,989,760.14	7,706,277.32	355,915,916.98
Less Accumulated Depreciation for:					
Improvements Other Than Buildings	8,867,138.09		653,340.09		9,520,478.18
Buildings and Fixed Equipment	41,035,019.85		3,795,397.64	2,394,368.44	42,436,049.05
Furniture, Fixtures, and Equipment	17,800,375.30	2,110,960.85	783,751.57	3,728,506.64	16,966,581.08
Motor Vehicles	3,826,066.55	1,025,278.86	442,625.27	211,464.82	5,082,505.86
Audio Visual Materials and Computer Software	3,848,520.75	48,721.08	28,633.73	198,114.71	3,727,760.85
Total Accumulated Depreciation	75,377,120.54	3,184,960.79	5,703,748.30	6,532,454.61	77,733,375.02
Total Capital Assets Being Depreciated, Net	251,084,969.16	(3,014,616.33)	31,286,011.84	1,173,822.71	278,182,541.96
Governmental Activities Capital Assets, Net	$ 283,147,848.31	$ (3,008,138.81)	$ 42,321,420.88	$ 37,743,276.09	$ 284,717,854.29

Note: (1) Capital assets and accumulated depreciation includes adjustments totaling $176,821.98 and $3,184,960.79 to correct errors in the capital assets and depreciation schedules, respectively, for certain assets.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Depreciation expense and adjustments to correct errors in the capital assets and depreciation schedules were charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	$ 367,378.97
Unallocated Depreciation	8,344,508.14
Total - Governmental Activities	$ 8,711,887.11

D. Pension Obligations

1. Florida Retirement System

Essentially all regular employees of the District are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2012-13 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	5.18
FRS, Elected County Officers	3.00	10.23
FRS, Senior Management Service	3.00	6.30
DROP - Applicable to Members from All of the Above Classes	0.00	5.44
FRS, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

(B) Contribution rates are dependent upon retirement class in which reemployed.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions, including employee contributions, for the fiscal years ended June 30, 2011, June 30, 2012, and June 30, 2013, totaled $5,412,821.15, $3,104,453.95, and $2,915,224.36, respectively, which were equal to the required contributions for each fiscal year.

There were 164 District participants in the Investment Plan during the 2012-13 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled $620,843.03, which was equal to the required contribution for the 2012-13 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

2. Early Retirement Plan

Plan Description. As authorized by Section 1012.685, Florida Statutes, the Board implemented an Early Retirement Plan (ERP) effective July 1, 1992. The ERP is a single-employer public employee retirement system (PERS) and was offered for only one year. The purpose of the ERP was to provide eligible District employees, who elect to retire under the early retirement provisions of the FRS, described in note IV.D.1, with a monthly benefit equal to the statutory reduction of the normal retirement benefits when early retirement precedes normal retirement.

The Board administers the ERP assets in a pension trust fund and is responsible for their investment. The Board appoints and removes the ERP Administrator.

As of June 30, 2013, there were eight retirees and their beneficiaries receiving benefits under the Plan. There are no current employees eligible to participate in the ERP.

A summary of Eligibility and Benefits follows:

- **Eligibility.** All full-time United Teachers of Monroe bargaining unit members or administrative support personnel who were members of the FRS or the Teachers Retirement System (TRS) and who had attained the age of 55 as of August 1, 1992, completed 25 or more years of creditable service as determined by FRS or TRS, and have made application for benefits on or before June 10, 1992.
- **Benefits.** The amount of early payment reduction in monthly benefits from FRS or TRS as a consequence of early retirement.

Summary of Significant Accounting Policies. Significant accounting policies related to basis of accounting and method of asset valuation are disclosed in note I. Investment disclosures related to the Pension Trust Fund are in note IV.B.

Contributions and Reserves. The ERP was established by the Board on July 1, 1992, and may be amended by Board action. Pursuant to the ERP agreement, no contribution shall be required or permitted from any member. Board contributions shall be sufficient to meet the annual pension cost of the ERP and to amortize the unfunded actuarial accrued liability within 9.55 years based on the July 1, 2011, actuarial study.

Periodic employer contributions to the ERP are determined on an actuarial basis using the aggregate cost method. Under this actuarial cost method, a funding cost is developed for the ERP as a level dollar amount per individual. The level dollar amount is calculated as the excess of the total future benefit liability over accumulated assets and future employee contributions, with this excess spread over the life expectancy for current retired participants and their beneficiaries. The normal cost is equal to the level dollar amount multiplied by the total life expectancy for retired participants and their beneficiaries solely during the year immediately following the valuation date. The actuarial accrued liability is equal to the accumulated assets. Therefore, under the aggregate cost method, no unfunded accrued liability is developed.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Significant actuarial assumptions used to compute annual required contributions are the same as those used to determine the actuarial accrued liability.

Total contributions to the ERP in the 2012-13 fiscal year amounted to $51,986.04, all of which were paid by the Board, and were $2,129.04 more than the actuarially determined contribution requirement determined through the actuarial valuation performed as of July 1, 2011.

All of the assets in the District's pension trust fund are legally required reserves. None of the assets have been designated by the Board for any other specific purpose. Costs of administering the ERP are financed through the ERP's resources (employer contributions and investment earnings).

Funded Status and Funding Progress. The required schedule of funding progress, immediately following the notes to financial statements, presents multiyear trend information about whether the actual value of ERP assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Information about the funding status of the ERP as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability Entry Age	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
7-1-2011	$ 182,324	$ 627,470	$445,146	29.1%	(1)	(1)

Note: (1) The Covered Payroll and Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll columns are not presented because all participants in the Plan are retired.

Additional information as of the latest actuarial valuation is as follows:

Valuation Date	7-1-2011
Actuarial Cost Method	Aggregate Cost Method
Amortization Method	Level Dollar, closed
Remaining Amortization Period	9.55 Years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4%
Cost-of-Living Adjustments	3%

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's healthcare and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Additionally, the District contributes a portion of the premium cost for retiree healthcare coverage. The amounts contributed are determined annually by Board action. Retirees are assumed to enroll in the Federal Medicare Program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or another entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2012-13 fiscal year, 105 retirees received other postemployment benefits. The District provided required contributions of $875,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of excess insurance), administrative expenses, and excess insurance premiums, and net of retiree contributions totaling $980,860.63, which represents 2.14 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the District's net OPEB obligation:

Description	Amount
Normal Cost (service cost for one year)	$ 268,000
Amortization of Unfunded Actuarial Accrued Liability	397,000
Interest on Normal Cost and Amortization	30,000
Annual Required Contribution	695,000
Interest on Net OPEB Obligation	172,000
Adjustment to Annual Required Contribution	(177,000)
Annual OPEB Cost (Expense)	690,000
Contribution Toward the OPEB Cost	(875,000)
Change in Net OPEB Obligation	(185,000)
Net OPEB Obligation, Beginning of Year	3,823,000
Net OPEB Obligation, End of Year	$ 3,638,000

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2013, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	$ 2,569,000	63.2%	$ 3,657,000
2011-12	1,382,000	88.0%	3,823,000
2012-13	690,000	126.8%	3,638,000

Funded Status and Funding Progress. As of July 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was $8,565,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $8,565,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $45,772,676.46, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 18.7 percent.

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's OPEB actuarial valuation as of July 1, 2012, used the projected unit credit method to estimate the unfunded actuarial liability as of July 1, 2012, and to estimate the District's 2012-13 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.5 percent annual discount rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 2 percent per year, and an annual healthcare cost trend rate of 10 percent initially for the 2012-13 fiscal year, reduced by 0.5 percent per year, until an ultimate rate of 5 percent is reached. The unfunded actuarial accrued liability is amortized over the maximum allowable period of 30 years on an open basis. It is calculated assuming a level percentage of projected payroll.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

F. Special Termination Benefits

In April 2010, the Board implemented a one-time Employee Severance Plan (ESP) for the payment of special termination benefits to all full-time employees with ten or more consecutive years of service with the District who were looking to either retire or resign and pursue other opportunities. Under the ESP, teachers and administrators receive $60,000, which is paid out over a period not to exceed 96 months. Support staff receive an amount equal to the employee's compensation for the fiscal year ending June 30, 2010, up to $30,000, which is paid out over a period not to exceed 96 months. The District reserves the right to retain certain teachers or staff represented by the United Teachers of Monroe for up to one year beyond the elected exit date, based on the District's operational and educational needs. There are 68 employees who elected to participate in the ESP. The District will make contributions into 403(b) accounts for ESP participants who retire under the FRS. Participants in the ESP who do not elect to retire under the FRS and instead terminate, will receive benefit payments directly from the District, subject to all applicable taxes. The estimated liability at June 30, 2013, for persons participating in the ESP is $32,832.36, and this amount is not discounted.

G. Other Significant Commitments

Encumbrances. Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year's appropriations are likewise encumbered.

The following is a schedule of encumbrances at June 30, 2013:

Major Funds						
General	Special Revenue - Other	Special Revenue - Federal Economic Stimulus	Capital Projects - Local Capital Improvement	Capital Projects - Other	Nonmajor Governmental Funds	Total Governmental Funds
$ 541,011.10	$ 58,987.40	$ 60.00	$ 188,190.86	$ 852,502.12	$ 21,404.09	$ 1,662,155.57

H. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property casualty, including workers' compensation coverage and group medical insurance for its employees, retirees and their dependents is being provided on self-insured basis up to specific limits. The District has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Under the plan for property casualty, including workers' compensation, the District's liability is limited to various per occurrence amounts ranging between $1,000 and $10,000,000, depending on the type of peril coverage. The District's commercial property insurance for wind damage provides for coverage up to $2,500,000 per named windstorm after a deductible of 5 percent of total insured values per location subject to a minimum of $10,000,000 per occurrence.

The plan for group medical insurance provides that the District contributes premiums as a fringe benefit to employees. The District also contributes for dependent coverage for several administrative employees. Dependent coverage for other employees and coverage for retirees and their dependents is by prepaid premium. The District's liability under the group medical plan is limited to $275,000 annually for each person. The District's reimbursement from excess insurance coverage for aggregate claims is limited to a total of $1,000,000 annually.

Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past three fiscal years.

A liability in the amount of $4,135,072 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable for the group medical, worker's compensation, and automobile and general liability self-insurance programs at June 30, 2013.

The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insurance program:

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2011-12	$ 3,406,473	$ 14,240,991	$ (13,455,005)	$ 4,192,459
2012-13	4,192,459	11,849,099	(11,906,486)	4,135,072

I. Changes in Short-Term Debt

The following is a schedule of changes in short-term debt:

	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	$ 0	$ 13,000,000	$ 13,000,000	$ 0

Proceeds from the tax anticipation note were used as working capital reserves in the General Fund as permitted under State and Federal tax laws.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

J. Line of Credit

On June 25, 2013, the Board approved a revolving line of credit agreement with a major banking institution, effective July 1, 2013, for up to $10,000,000. The line of credit is intended by the Board to provide resources the District can use to cover uninsured losses resulting from a named windstorm while awaiting Federal and State assistance. The line of credit cannot be used for other purposes. Accrued interest on amounts drawn against the line of credit are payable monthly and all outstanding principal balances must be paid in full by June 30, 2014. The agreement provides for interest on funds drawn at 74 percent times (1-Month LIBOR plus 0.75 percent) and a non-usage fee of 0.45 percent on any unused portion of the line of credit. The agreement may be renewed for a 1-year period at the discretion of the bank.

K. Long-Term Liabilities

1. Certificates of Participation

The District entered into a financing arrangement on October 15, 1996, which arrangement was characterized as a lease-purchase agreement, with the Monroe County School Board Leasing Corporation (Corporation) whereby the District secured financing of various educational facilities in the total amount of $28,000,000. The financing was accomplished through the issuance of Certificates of Participation, Series 1996A, to be repaid from the proceeds of rents paid by the District.

On June, 30, 2004, the District advance-refunded the Certificates of Participation, Series 1996A, maturing after August 1, 2006, through the issuance of Certificates of Participation, Series 2004A, with a total value of $18,170,000, to be paid from the proceeds of rent paid by the District. The proceeds of the Series 2004A Certificates were deposited in an escrow fund with a trustee and be invested in certain qualified governmental obligations. The amounts deposited plus interest earnings were sufficient to pay the interest portions on February 1 and August 1 each year, and pay the outstanding principal portions ($16,380,000) of the Series 1996A Certificates maturing after August 1, 2006 (the “Refunded Series 1996A Certificates”) at a price of 102 percent of the principal amount.

On December 29, 2005, the master financing arrangement was amended and the Corporation issued Certificates of Participation, Qualified Zone Academy Bonds (QZAB), Series 2005, in the amount of $4,842,000 for heating, ventilation, and conditioning; electrical; and general facilities improvements at several District properties. Under the terms of the lease agreement, the District is required to make ten annual payments of $341,007.95 each, which are deposited with a trustee and invested in accordance with a security delivery agreement until maturity and, when combined with interest earnings, will be sufficient to pay off the principal balance in full, at maturity on December 29, 2020.

On June 24, 2010, Certificates of Participation, Series 2010A, were issued under the Qualified School Construction Bond program in the amount of $36,000,000 to finance the construction of a new middle school. The Qualified School Construction Bond program was established under the American Recovery and Reinvestment Act of 2009, to provide for a taxable obligation to be issued by the school district with a Federal subsidy for interest. The Series 2010A Certificates were issued by the Corporation as direct pay bonds whereby the District pays interest of 5.7 percent and receives a

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

5.49 percent interest subsidy, which is paid directly to the District by the United States Treasury. Under the terms of the trust agreement, the District is required to make annual payments of $2,117,647 each, which are to be deposited with a trustee and invested in accordance with a trust agreement until maturity and, when combined with interest earnings, will be sufficient to pay off the principal balance in full, at maturity on June 1, 2027.

As a condition of the financing arrangements, the District has given a ground lease on District property to the Corporation, with a rental fee of $1 per year. The initial term of the lease is 25 years commencing on October 15, 1996 and ending August 1, 2021. A separate ground lease commencing on June 1, 2010 and ending on June 1, 2032, was given to the corporation for the facilities being financed by the Series 2010A Certificates. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreements for the benefit of the securers of the Certificates for a period of time specified by the arrangements which may be up to 30 years from the date of inception of the arrangement.

The District properties included in the ground lease under this arrangement are as follows:

- Gerald Adams Elementary School
- Glynn Archer Elementary School
- Horace O'Bryant Middle School
- Marathon High School
- Stanley Switlik Elementary School
- Sugarloaf Middle School

Except for the QZAB, Series 2005 issue, which fully matures on December 29, 2020, with interest paid by the Federal Government in the form of annual tax credits to the holders of the Certificates, the lease payments are payable by the District, semiannually, on payment dates and interest rates ranging as follows:

Certificates	Payment Dates	Interest Rates
Series 2004A	February 1 and August 1	4.0 to 4.375 percent
Series 2010A	June 1 and December 1	5.7 (0.21 net) percent

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

Fiscal Year Ending June 30	Total	Principal	Interest
2014	$ 4,308,550.00	$ 2,025,000.00	$ 2,283,550.00
2015	4,305,950.00	2,105,000.00	2,200,950.00
2016	4,307,206.25	2,195,000.00	2,112,206.25
2017	2,368,781.25	310,000.00	2,058,781.25
2018	2,052,000.00		2,052,000.00
2019-2023	15,102,000.00	4,842,000.00	10,260,000.00
2024-2027	44,208,000.00	36,000,000.00	8,208,000.00
Total Minimum Lease Payments	$ 76,652,487.50	$ 47,477,000.00	$ 29,175,487.50

2. <u>Bonds Payable</u>

Bonds payable at June 30, 2013, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A, Refunding	$ 65,000.00	5.0	2017
Series 2011A, Refunding	430,000	3.0 - 5.0	2015
District Sales Tax Revenue Bonds:			
Series 2005	24,575,000	3.375 - 5.00	2015
Series 2013, Refunding	5,717,000	1.05	2015
Total Bonds Payable	$ 30,787,000		

The various bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

- **<u>State School Bonds</u>**

These bonds are issued by the SBE on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the SBE and the SBA.

- **<u>District Revenue Bonds</u>**

These bonds are authorized by the Constitution and Laws of the State of Florida, particularly Chapter 1001, Florida Statutes, Chapter 212, Florida Statutes, and other applicable provision of law. As provided for in the Sales Tax Revenue Bond Resolution (Master Resolution) adopted by the

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Board on May 5, 2005, the Bonds are secured by a pledge (Pledge Funds) of the proceeds received by the District from the levy and collection of a one-half cent discretionary sales surtax pursuant to Section 212.055(6), Florida Statutes, and all moneys including investments thereof in the funds and accounts established pursuant to the bond resolution other than the Unrestricted Revenue Account and the Rebate Fund. The bonds were issued for the purpose of financing the costs of acquisition, construction, and installation of certain capital improvements and educational facilities.

The Board issued Sales Tax Revenue Bonds, Series 2005, on June 14, 2005, totaling $75,000,000. On May 14, 2007, as provided for in the Master Resolution, the Board issued Subordinated Sales Tax Revenue Bond, Series 2007 totaling $20,500,000. The Subordinated Sales Tax Revenue Bond, Series 2007, is secured by a pledge of the Pledge Funds (as defined in the Master Resolution) on a subordinated basis to the pledge of a lien on the Pledge Funds established by the Master Resolution for the payment of bonds, including the Sales Tax Revenue Bonds, Series 2005.

On March 14, 2013, the District refunded the outstanding Subordinated Sales Tax Revenue Bond, Series 2007, and issued Subordinated Sales Tax Revenue Refunding Bond, Series 2013, in the amount of $5,717,000. The Subordinated Sales Tax Revenue Refunding Bond, Series 2013, is secured by a pledge of the Pledge Funds (as defined in the Master Resolution) on a subordinated basis to the pledge of a lien on the Pledge Funds established by the Master Resolution for the payment of bonds, including the Sales Tax Revenue Bonds, Series 2005. The proceeds of the Refunding Bond of $5,717,000 plus $1,903,000 from other District sources resulted in the extinguishment of $7,620,000 Subordinated Sales Tax Revenue Bonds, Series 2007, on the same date and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $246,386.

The District has pledged a combined total of $31,793,040.33 of discretionary surtax sales revenues (sales tax revenues) in connection with the Series 2005 and 2013 Sales Tax Revenue Bond issues described above. During the 2012-13 fiscal year, the District recognized sales tax revenues totaling $15,205,185.53 and expended $11,421,381.01 (75.1 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt, or October 1, 2015. Assuming a nominal growth rate of 3.1 percent in the collection of sales tax revenues, which are levied through December 31, 2015, approximately 67.6 percent of the revenue stream has been pledged in connection with debt service on the revenue bonds.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Annual requirements to amortize all bonded debt outstanding as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2014	$ 269,750.00	$ 245,000.00	$ 24,750.00
2015	232,500.00	220,000.00	12,500.00
2016	16,500.00	15,000.00	1,500.00
2017	15,750.00	15,000.00	750.00
Total State School Bonds	534,500.00	495,000.00	39,500.00
District Sales Tax Revenue Bonds:			
2014	10,613,222.19	9,799,000.00	814,222.19
2015	10,602,216.01	10,092,000.00	510,216.01
2016	10,577,602.13	10,401,000.00	176,602.13
Total District Sales Tax Revenue Bonds	31,793,040.33	30,292,000.00	1,501,040.33
Total	$ 32,327,540.33	$ 30,787,000.00	$ 1,540,540.33

3. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities:

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Estimated Insurance Claims Payable	$ 4,192,459.00	$ 11,849,099.06	$ 11,906,486.06	$ 4,135,072.00	$ 2,012,982.00
Bonds Payable	42,945,000.00	5,717,000.00	17,875,000.00	30,787,000.00	10,044,000.00
Certificates of Participation Payable	49,427,000.00		1,950,000.00	47,477,000.00	2,025,000.00
Compensated Absences Payable	6,585,346.66	614,242.09	757,672.85	6,441,915.90	750,000.00
Employee Severance Benefits Payable	1,228,000.93		1,195,168.57	32,832.36	32,832.36
Other Postemployment Benefits Payable	3,823,000.00	690,000.00	875,000.00	3,638,000.00	
Total Governmental Activities	$108,200,806.59	$ 18,870,341.15	$ 34,559,327.48	$ 92,511,820.26	$ 14,864,814.36

For the governmental activities, compensated absences, employee severance benefits and other postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with the resources of the proprietary funds, as discussed in notes IV.H and V.

**MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

L. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in the **Fund Balance Policies** note disclosure, fund balances may be classified as follows:

- **Nonspendable Fund Balance**. Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance**. Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.
- **Unassigned Fund Balance**. The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

M. Interfund Receivables and Payables

The following is a summary of interfund receivables and payables reported in the fund financial statements:

Funds	Interfund	
	Receivables	Payables
Major:		
General	$ 941,509.94	$
Special Revenue:		
Other		873,914.39
Federal Economic Stimulus		18,461.61
Nonmajor Governmental		49,133.94
Total	$ 941,509.94	$ 941,509.94

The amount due to the General Fund from the Special Revenue - Other Fund and Special Revenue - Federal Economic Stimulus Fund is to finance authorized activities of grants and contracts, which are financed on a cost reimbursement basis. The amount due to the General Fund from the nonmajor governmental funds is for money advanced to the nonmajor Special Revenue – Food Service Fund to finance the District's food service program.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

N. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2012-13 fiscal year:

Source	Amount
Categorical Educational Program - Class Size Reduction	$ 9,104,181.00
Florida Education Finance Program	3,061,267.00
Workforce Development Program	720,614.00
School Recognition	518,154.00
Voluntary Prekindergarten	438,925.30
Motor Vehicle License Tax (Capital Outlay and Debt Service)	331,788.85
Racing Commission Funds	223,250.00
Diagnostic and Learning Resources Centers	150,000.00
Adults with Disabilities	64,858.67
Food Service Supplement	37,220.00
Mobile Home License Tax	29,346.57
Miscellaneous	118,991.98
Total	$ 14,798,597.37

Accounting policies relating to certain State revenue sources are described in note I.G.2.

2. Property Taxes

The following is a summary of millages and taxes levied on the 2012 tax roll for the 2012-13 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	1.912	$ 37,477,199
Basic Discretionary Local Effort	0.748	14,661,582
Voted School Tax:		
Additional Operating	0.500	9,800,523
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	0.500	9,800,523
Total	3.660	$ 71,739,827

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

O. Interfund Transfers

The following is a summary of interfund transfers reported in the fund financial statements:

Funds	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$ 3,156,928.11	$
Debt Service:		
Other	14,022,501.46	
ARRA Economic Stimulus	2,290,055.09	
Capital Projects:		
Local Capital Improvement		7,961,871.65
Other		11,421,381.01
Nonmajor Governmental		86,232.00
Total	$ 19,469,484.66	$ 19,469,484.66

Interfund transfers represent permanent transfer of money between funds. The transfers out of Capital Projects - Local Capital Improvements (LCI) Fund to the General Fund were to reimburse the General Fund for maintenance, capital expenditures, and property and casualty insurance premiums recorded in the General Fund. Additionally, funds were transferred from the LCI Fund and the Capital Project - Other Fund to the Debt Service - Other Fund and Debt Service - ARRA Economic Stimulus Fund to make debt service payments for the certificates of participation and sales tax revenue bonds. The transfers out of the nonmajor governmental funds to the General Fund were for charter school capital outlay expenditures.

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

V. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2012-13 fiscal year:

	Total	Workers' Compensation/ General Liability	VISTA Insurance	Health Insurance
Total Assets	$ 5,521,828.29	$ 2,049,987.01	$ 162,295.87	$ 3,309,545.41
Liabilities and Net Position:				
Accounts Payable	$ 1,088,349.45	$ 903.73	$ 2,661.95	$ 1,084,783.77
Estimated Insurance Claims Payable	4,135,072.00	3,288,804.00		846,268.00
Net Position:				
Unrestricted	298,406.84	(1,239,720.72)	159,633.92	1,378,493.64
Total Liabilities and Net Position	$ 5,521,828.29	$ 2,049,987.01	$ 162,295.87	$ 3,309,545.41
Revenues:				
Premium Contributions	$ 13,661,343.83	$ 2,399,892.36	$ 104,025.10	$ 11,157,426.37
Insurance Loss Recoveries	1,111,574.65	379,605.76		731,968.89
Interest Income	53,897.59	21,140.26		32,757.33
Total Revenues	14,826,816.07	2,800,638.38	104,025.10	11,922,152.59
Total Expenses	(13,109,974.07)	(2,139,026.77)	(33,624.50)	(10,937,322.80)
Change in Net Position	$ 1,716,842.00	$ 661,611.61	$ 70,400.60	$ 984,829.79

VI. OTHER LOSS CONTINGENCIES

The District received financial assistance from Federal and State agencies in the form of grants and appropriations. The disbursement of funds received under these programs generally requires compliance with specified terms and conditions and is subject to final determination by the applicable Federal and State agencies. Any disallowed claims should become a liability of the General Fund or other applicable funds. The questioned

**MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

costs identified in the audit for the fiscal years ended June 30, 2008, June 30, 2009, June 30, 2010, June 30, 2011, June 30, 2012, and June 30, 2013, totaled $31,483.16, $122,593.94, $425,163.31, $2,072.90, $70,589.11, and $1,330,629, respectively, for a total of $1,982,531.42. Subsequent to June 30, 2013, the District received letters of final determination from the Florida Department of Education stating that certain questioned costs totaling $56,265.77 were to be restored to the grant programs and that questioned costs totaling $595,636.65 would not have to be restored to the grant programs. A final determination regarding restoration of the remaining questioned costs totaling $1,330,629 is pending.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

MONROE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2013

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 250,000.00	$ 250,000.00	$ 326,038.49	$ 76,038.49
Federal Through State and Local	500,000.00	521,759.18	675,760.20	154,001.02
State	15,309,007.96	14,707,343.14	14,345,445.35	(361,897.79)
Local:				
Property Taxes	59,399,840.00	59,399,840.00	59,476,512.63	76,672.63
Miscellaneous	1,286,752.40	1,451,680.61	2,130,563.29	678,882.68
Total Local Revenues	60,686,592.40	60,851,520.61	61,607,075.92	755,555.31
Total Revenues	76,745,600.36	76,330,622.93	76,954,319.96	623,697.03
Expenditures				
Current - Education:				
Instruction	50,523,443.68	50,314,336.61	48,888,304.49	1,426,032.12
Pupil Personnel Services	3,089,987.73	3,182,257.35	3,108,090.26	74,167.09
Instructional Media Services	823,405.28	807,148.09	735,379.77	71,768.32
Instruction and Curriculum Development Services	1,198,732.84	1,259,550.67	1,152,721.89	106,828.78
Instructional Staff Training Services	540,282.36	438,421.55	362,636.88	75,784.67
Instruction Related Technology	965,998.35	891,356.12	871,267.40	20,088.72
School Board	1,007,369.22	982,860.91	759,477.04	223,383.87
General Administration	772,732.46	771,373.58	684,309.93	87,063.65
School Administration	4,187,639.08	3,954,314.59	3,918,149.09	36,165.50
Facilities Acquisition and Construction	139,214.39	53,159.54	124,263.13	(71,103.59)
Fiscal Services	808,947.85	871,745.30	800,028.46	71,716.84
Food Services		18,730.34	18,730.34	
Central Services	2,945,820.28	3,107,171.59	2,787,459.16	319,712.43
Pupil Transportation Services	3,100,759.30	2,894,076.24	2,694,216.47	199,859.77
Operation of Plant	5,789,275.67	5,785,171.25	5,453,306.70	331,864.55
Maintenance of Plant	2,462,698.55	2,444,110.58	2,201,663.99	242,446.59
Administrative Technology Services	366,812.77	368,359.47	363,540.40	4,819.07
Community Services	688,380.19	709,506.91	644,458.52	65,048.39
Fixed Capital Outlay:				
Facilities Acquisition and Construction		85,985.68	85,985.68	
Other Capital Outlay		84,586.16	84,586.16	
Debt Service:				
Interest and Fiscal Charges	36,500.00	63,375.62	63,375.62	
Total Expenditures	79,448,000.00	79,087,598.15	75,801,951.38	3,285,646.77
Excess (Deficiency) of Revenues Over Expenditures	(2,702,399.64)	(2,756,975.22)	1,152,368.58	3,909,343.80
Other Financing Sources (Uses)				
Transfers In	3,341,000.00	3,427,232.00	3,156,928.11	(270,303.89)
Insurance Loss Recoveries			86,177.97	86,177.97
Transfers Out	(52,000.00)			
Total Other Financing Sources	3,289,000.00	3,427,232.00	3,243,106.08	(184,125.92)
Net Change in Fund Balances	586,600.36	670,256.78	4,395,474.66	3,725,217.88
Fund Balances, Beginning	5,232,082.72	5,377,764.04	5,377,764.04	
Fund Balances, Ending	$ 5,818,683.08	$ 6,048,020.82	$ 9,773,238.70	$ 3,725,217.88

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ 1,549,633.02	$ 1,558,517.71	$ 1,335,651.30	$ (222,866.41)	$	$	$	$
5,468,738.39	6,345,325.76	4,478,700.49	(1,866,625.27)	404,142.04	393,729.75	387,171.77	(6,557.98)
7,018,371.41	7,903,843.47	5,814,351.79	(2,089,491.68)	404,142.04	393,729.75	387,171.77	(6,557.98)
3,302,317.71	3,819,176.02	2,758,173.30	1,061,002.72	162,183.90	173,160.91	172,414.94	745.97
1,356,160.72	1,597,543.46	1,139,340.19	458,203.27				
50,209.58	51,689.57	49,918.57	1,771.00	7,500.00			
1,187,757.27	1,109,523.51	882,913.44	226,610.07	9,857.34	5,408.36	2,938.28	2,470.08
862,743.56	1,009,727.76	728,467.94	281,259.82	215,022.41	215,160.48	211,818.55	3,341.93
	9,515.00	9,515.00					
158,615.67	187,430.29	157,419.48	30,010.81	1,078.39			
18,198.31	24,429.92	20,262.26	4,167.66				
				8,500.00			
11,663.36	20,034.42	10,442.68	9,591.74				
4,003.14	3,803.14	110.36	3,692.78				
100.42	0.42		0.42				
66,601.67	13,181.39		13,181.39				
	57,788.57	57,788.57					
7,018,371.41	7,903,843.47	5,814,351.79	2,089,491.68	404,142.04	393,729.75	387,171.77	6,557.98
$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

MONROE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -
OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
July 1, 2010	$ 0	$ 31,965,000	$ 31,965,000	0.0%	$ 59,005,787.71	54.2%
July 1, 2010 (2)	0	13,800,000	13,800,000	0.0%	59,005,787.71	23.4%
July 1, 2012	0	8,565,000	8,565,000	0.0%	45,772,676.46	18.7%

Notes: (1) The actuarial cost method used to calculate the liability was the projected unit credit with benefits attributed from the date of hire to expected retirement age.
(2) The District obtained an updated July 1, 2010, actuarial valuation after changing certain plan provisions.

MONROE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -
EARLY RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
July 1, 2005	$ 139,736.00	$ 469,988.00	$ 330,252.00	29.7%	(1)	(1)
July 1, 2006	149,739.00	612,594.00	462,855.00	24.4%	(1)	(1)
July 1, 2007	167,658.00	596,184.00	428,526.00	28.1%	(1)	(1)
July 1, 2008	181,849.33	596,184.00	414,334.67	30.5%	(1)	(1)
July 1, 2009	195,268.94	659,800.00	464,531.06	29.6%	(1)	(1)
July 1, 2011	182,324.00	627,470.00	445,146.00	29.1%	(1)	(1)

Note: (1) The Covered Payroll and Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll columns are not presented because all participants in the plan are retired.

As the aggregate cost method does not identify or separately amortize unfunded actuarial accrued liabilities, information about funded status and funding progress is presented using the entry age actuarial cost method for that purpose, and the information presented is intended to serve as a surrogate for the funding progress of the plan.

MONROE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF EMPLOYER CONTRIBUTIONS - EARLY RETIREMENT PLAN

Year Ended June 30	Annual Required Contribution	Percentage Contribution
2008	$ 63,976	100.0%
2009	63,976	100.0%
2010	50,365	127.0%
2011	50,365	99.3%
2012	49,857	101.3%
2013	49,857	104.3%

MONROE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2013

I. BUDGETARY BASIS OF ACCOUNTING

The Board follows procedures established by State statutes and State Board of Education (SBE) rules in establishing budget balances for governmental funds, as described below:

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The July 1, 2012, unfunded actuarial accrued liability of $8,565,000 was significantly lower than the updated July 1 2010, liability of $13,800,000, as a result of benefit changes and other changes in liabilities and costs. The main reason for this decrease is: 1) the addition of a lower cost plan (Core Plan), 2) lower than expected claims and premiums, 3) elimination of subsidy trends provided to retirees since they will absorb all cost increases, and 4) a revision in the post-Medicare trend.

While there were some significant decreases in the liability, there are a few factors that increased the liability. These factors include: 1) improved mortality rates, 2) the addition of an excise tax due to healthcare reform, and 3) a revision in post-Medicare participation. Since the cost of the plan is much higher than the estimated future claim costs, this would decrease the liability if any participation in the plan post-Medicare is assumed.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

MONROE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Florida Departmnet of Agriculture and Consumer Services:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	321	$ 395,004.33
National School Lunch Program	10.555 (2)(A)	300, 350	1,741,452.23
Summer Food Service Program for Children	10.559	323	39,155.52
Total United States Department of Agriculture			2,175,612.08
United States Department of the Interior Fish and Wildlife Service:			
Indirect:			
Monroe County Board of County Commissioners			
National Wildlife Refuge Fund	15.659	None	120,219.02
United States Department of Energy:			
Indirect:			
University of Central Florida:			
ARRA - State Energy Program	81.041 (2)(B), (3)	None	18,669.16
United States Department of Education:			
Direct:			
Impact Aid	84.041 (3)	N/A	290,048.42
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	N/A	35,990.07
Fund for Improvement of Education	84.215	N/A	117,384.13
Total Direct			443,422.62
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	1,885,387.72
Special Education - Preschool Grants	84.173	267	64,329.05
Total Special Education Cluster			1,949,716.77
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	1,297,644.93
Adult Education - Basic Grants to States	84.002	191, 193	163,891.62
Career and Technical Education - Basic Grants to States	84.048	161	62,834.69
Education for Homeless Children and Youth	84.196	127	39,656.39
Charter Schools	84.282	298	204,922.26
Twenty-First Community Learning Centers	84.287	244	81,895.66
English Language Acquisition Grants	84.365	102	110,179.11
Improving Teacher Quality State Grants	84.367	224	441,477.20
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111, RD211	362,402.00
Education Jobs Fund	84.410	541	24,769.77
Palm Beach County District School Board:			
Voluntary Public School Choice	84.361	None	1,500.00
Total Indirect			2,791,173.63
Total United States Department of Education			5,184,313.02
United States Department of Health and Human Services:			
Direct:			
Head Start	93.600 (4)	N/A	1,218,267.17
United States Department of Homeland Security:			
Indirect:			
Florida Department of Community Affairs:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	None	10,870.07
Total Expenditures of Federal Awards			$ 8,727,950.52

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance:

(A) National School Lunch Program - Includes cash in lieu of donated foods of $171,041.22 and $63,825.45 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(B) ARRA - State Energy Program - Represents the Federally-paid portion of solar panels and related site preparation and installation costs.

(3) Impact Aid - Total CFDA No. 84.041 expenditures: $308,717.58.

(4) Head Start. Expenditures include $103,834.77 for grant number/program year 04CH0391/21 and $1,114,432.40 for grant number/program year 04CH0391/22.

AUDITOR GENERAL
STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

DAVID W. MARTIN, CPA
AUDITOR GENERAL

PHONE: 850-412-2722
FAX: 850-488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Monroe County District School Board as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 18, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the Monroe County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included in Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

David W. Martin, CPA
Tallahassee, Florida
March 18, 2014

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

PHONE: 850-412-2722
FAX: 850-488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

We have audited the Monroe County District School Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2013. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on the Special Education Cluster Programs

As described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, the District did not comply with requirements regarding CFDA Nos. 84.027 and 84.173 Special Education Cluster Programs as described in Federal Awards Finding No. 1 for Matching, Level of Effort, and Earmarking – Maintenance of Effort. Compliance with this requirement is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Qualified Opinion on the Special Education Cluster Programs

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster Programs for the fiscal year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** for the fiscal year ended June 30, 2013.

Report on Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1 to be a material weakness.

Management's Response

Management's response to the internal control over compliance finding identified in our audit is included in Exhibit A. Management's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

David W. Martin, CPA
Tallahassee, Florida
March 18, 2014

MONROE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified for all major programs except for the Special Education Cluster (CFDA Nos. 84.027 and 84.173), which was qualified.
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster
84.395	ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

MONROE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

ADDITIONAL MATTERS

Finding No. 1: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)4.b., Florida Statutes, provides that, for instructional personnel, the Board must provide differentiated pay based upon District-determined factors including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. Such a documented process could specify the factors to be used as the basis for determining differentiated pay, the process for applying the factors, and the individuals responsible for making such determinations.

While the salary schedule and union contract provided for certain types of differentiated pay, without a Board-established documented process for identifying which instructional personnel are to receive differentiated pay, the District may be limited in its ability to demonstrate that the various differentiated pay factors are consistently considered and applied.

Also, the salary schedule used during the 2012-13 fiscal year provided for 25 salary steps within each pay grade. Our test of employee compensation disclosed that employee salaries corresponded to certain pay grades and steps on the salary schedule and that instructional personnel salary levels were supported by supervisor-approved personnel information forms that identify the step level placements of the employees. The July 2010 to June 2013 instructional personnel union contract generally provides that applicable steps on the salary schedule would be based on the number of years of teaching experience and degree status, such that a year of experience would equate to a step on the salary schedule.

District personnel indicated, for noninstructional personnel, that principals, department heads, executive directors, and the Superintendent were involved in making decisions of step placements on the salary schedule. However, neither the salary schedule nor Board policies and procedures prescribed factors to be used as the basis for establishing or adjusting employees' salaries (or salary steps) within the noninstructional personnel pay grades. Without Board-approved procedures prescribing factors to be used as the basis for salaries and salary adjustments, there is an increased risk that such salaries and salary adjustments may not be consistent with Board intent.

Recommendation: The Board should establish a documented process for identifying instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. Also, the Board should establish procedures to prescribe factors to be used as the basis for adjusting noninstructional personnel salaries (or salary steps) within each pay grade.

Finding No. 2: Net Position Deficit – Workers' Compensation/General Liability Internal Service Fund

The District's self-insurance program provides property and casualty, including workers' compensation insurance coverage. Risk is retained by the District up to specified limits, and agreements were entered with various insurance companies to provide coverage of individual claim expenses above specific and aggregate limits when total claims exceed such limits. To administer the self-insurance program, the District contracted with an insurance administrator to process, investigate, and pay claims and contributed specified premium amounts to the program on a monthly basis. Premium contributions, along with claims payments and other expenses of the self-insurance program, are accounted for in an internal service fund.

During the 2012-13 fiscal year, the District's Workers' Compensation/General Liability Insurance Internal Service Fund unrestricted net position balance increased $661,611, from a deficit balance of $1,901,332 to a deficit balance of $1,239,721. Although the increase in the net position balance resulted from District efforts such as increased Board contributions and lower claims expenses, the unrestricted net position continued to report a deficit balance. A summary of the unrestricted net position balance of the District's Workers' Compensation/General Liability Internal Service Fund for the past seven fiscal years is shown below:

Ended June 30	Net Position Balances
2007	$1,196,076
2008	281,410
2009	152,522
2010	(615,306)
2011	(981,278)
2012	(1,901,332)
2013	(1,239,721)

Failure to continue efforts toward eliminating the deficit financial position of the District's Workers' Compensation/General Liability Internal Service Fund could result in the District having insufficient resources available for unexpected claims of the self-insurance program. Similar findings were noted in our report Nos. 2012-170 and 2013-170.

Recommendation: The District should continue its efforts to eliminate the net position deficit of the internal service fund and ensure that a favorable net asset balance is maintained to meet the fiscal demands of the self-insurance program.

Finding No. 3: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and proviso language in Chapter 2012-118, Laws of Florida, Specific Appropriation 106, required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.

FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures also provided that school districts develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance.

For the 2012-13 fiscal year, the District reported to the FDOE 104,748 instructional contact hours for 631 students enrolled in 248 adult general education classes. Our review of 969 hours reported for 10 students enrolled in 38 adult general education classes disclosed contact hours were over-reported by a total of 292 hours for 8 students in 38 classes. The errors occurred because students enrolled in different classes that met at the same time, and the District over-reported hours for classes the students did not attend. Given the number of errors, the full extent of the class hours over-reported was not readily available.

Since future funding may be based, in part, on enrollment data reported to the FDOE, it is important that the District reports data correctly. A similar finding was noted in our report No. 2013-170.

Recommendation: The District should strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. The District should also determine the extent of adult general education hours over-reported and contact the FDOE for proper resolution.

Finding No. 4: Payroll Processing – Time Records

The District paid contracted employees on a payroll by exception basis in which employees received their regular pay each period, unless employees used more leave than accumulated, resulting in a reduction to their salary. Employees are required to prepare and sign leave forms that supervisors reviewed and approved or disapproved. School and department personnel input leave taken into the payroll system for contracted employees and the number of hours worked by employees who are paid on an hourly basis. School principals or department supervisors approve biweekly payroll reports, generated by the payroll system, that reflected employee time worked and leave taken. However, the District needed to enhance its procedures for documenting employee time worked, as discussed below:

District payroll procedures did not provide for a uniform method of documenting actual time worked by contracted employees. Methods used at District schools and departments for documenting time worked by contracted employees included: (1) recording arrival and departure times on timesheets; (2) sign-in and sign-out timesheets without times or total hours worked; and (3) machine date and time stamped employee time cards. The District's payroll procedures for employees who were paid on an hourly basis provided that time records, such as time cards or weekly timesheets, be used to document time worked.

Our test of one payroll period for each of 20 employees paid on a full-time basis and 15 employees from the April 15, 2013, payroll who were paid on an hourly basis for after school activities, disclosed the following:

- For 12 of the 20 employees paid on a full-time basis, time records did not include arrival and departure times or other evidence to indicate the number of hours worked. Also, 4 employees did not sign time records and, for 16 employees, time records did not include the signature of the employee's supervisor or other evidence of review and approval. In addition, conflicting records were noted as one employee at Glynn Archer Elementary School documented attendance on September 4, 2012, using a sign-in and sign-out timesheet;

however, payroll leave records and an approved leave form for that date indicated the employee was on sick leave. Further, although requested, District personnel also could not locate time records for 3 employees.

- The May 1, through May 14, 2013, Marathon High School daily attendance record (sign-in and sign-out timesheets) for full-time employees indicated that 1 employee in our test did not sign out on May 3, and May 10, 2013, and payroll leave records indicated that the employee took no leave on those two days. We expanded tests to compare the daily attendance of the 41 employees listed on the sign-in and sign-out timesheets to payroll leave records for the May 1, 2013 to May 14, 2013, pay period. Our expanded review disclosed the following:
  - The attendance and payroll leave records indicated that 16 other employees did not sign out on May 3, and 12 other employees did not sign out on May 10, and took no leave on those two days.
  - For 3 employees who did not record any attendance during the pay period, and for 13 other employees who did not record attendance for between 1 and 7 days during the pay period, their payroll leave records indicated that no leave was taken during the pay period.
  - The sign-in and sign-out timesheet for 1 employee indicated attendance on May 6, 2013, but payroll leave records and an approved request for leave form indicated the employee was on sick leave.

Without payroll records and procedures that provide for a uniform method of documenting actual time worked, including arrival and departure times, and when work attendance is not adequately evidenced and timely verified of record, the risk increases that employees may be incorrectly compensated. Similar findings were noted in our report Nos. 2012-170 and 2013-170.

Recommendation: The District should enhance its payroll processing procedures to ensure that all employee work time is appropriately documented and approved, accurately recorded, and reconciled to payroll leave records.

Finding No. 5: Journal Entries

Good business practice dictates that independent review and approval of journal entries, such as transfers between funds, recording of revenues and expenditures, and adjustments of amounts previously recorded, be performed to decrease the risk of incorrect or unauthorized entries to the accounting records. The Finance Department was responsible for maintaining the District's financial records, including recording account balances and transactions and related financial reporting, and the Food and Nutrition Services Department recorded account balances and transactions into accounting system for the District's food service operations. During the 2012-13 fiscal year, six employees of the Finance Department and one employee of the Food and Nutrition Services Department had the ability to prepare and record journal entries.

Our test of 25 journal entries for the 2012-13 fiscal year disclosed that review and approval was documented for 14 of the entries and an appropriate purpose was documented for each of the entries; however, District records did not evidence review and approval for 11 of the entries. Absent journal entry review and approval of record, there is an increased risk that errors or fraud could occur without timely detection.

Recommendation: The District should enhance controls to ensure a documented independent review and approval of all journal entries.

Finding No. 6: Motor Vehicles

As of June 30, 2013, District records indicated that there were 170 District-owned vehicles, including 63 buses and 107 other vehicles including cars, trucks, and vans. School Board Administrative Procedure 1440C, *Use of School Vehicle for School Business*, requires vehicle mileage be recorded on a weekly basis, and departments maintain daily usage logs. Our review of logs for 11 vehicles, such as maintenance department trucks and high school vans, disclosed no evidence of supervisory review and approval of 4 vehicles logs and no documented District purpose on the logs for usage of 2 vehicles.

Without complete and accurate information on vehicle usage logs and supervisory review, there is an increased risk that District-owned vehicles may be used for unauthorized purposes. A similar finding was noted in our report No. 2013-170.

Recommendation: The District should enhance its procedures to ensure that vehicle logs for District-owned vehicles are properly maintained and reviewed.

Finding No. 7: Facilities Management

During the 2012-13 fiscal year, the chief operating officer was responsible for coordinating outsourced construction and renovation projects and the maintenance supervisor was responsible for ensuring facilities are safe and suitable for their intended use. Also, during this fiscal year, the District had 28 full-time positions to perform heating, ventilating, and air conditioning (HVAC), electrical, plumbing, and other maintenance-related jobs, and costs for maintenance of educational and ancillary facilities totaled $2.2 million. The District had expenditures totaling $11 million for capital projects fund construction and renovation and, as shown on the District's Five-Year Facilities Work Plan as approved by the Board on September 21, 2013, the District planned to spend $23.3 million on maintenance over the next five fiscal years. Although the District's Five-Year Facilities Work Plan showed no planned expenditures on capital outlay construction, renovation, and remodeling over the next five years, the District's approved budget for the 2013-14 fiscal year showed budgeted expenditures for the year totaling $0.6 million for construction, renovation, and remodeling. At June 30, 2013, the historical cost of the District's educational and ancillary facilities, including land purchases, was $334.1 million and, as shown on the FDOE's Florida Inventory of School Houses data, District facilities had an average age of 22 years.

Given the significant commitment of public funds to construct and maintain educational facilities, it is important that the District establish written policies and procedures for evaluating the effectiveness and efficiency of facility operations at least annually using performance data and established benchmarks, and establish documented processes for evaluating facilities construction methods and maintenance techniques to determine the most cost-effective and efficient method or technique. In addition, performance evaluations could include established goals for facility and maintenance operations, and measurable objectives or benchmarks that are clearly defined, to document the extent to which goals and accountability for facilities and maintenance operations are achieved. While our review indicated that District procedures were generally adequate, we noted enhancements could be made, as follows:

- **Construction Planning.** School districts benefit from long-range facilities construction planning activities that include consideration of stakeholder input, including District personnel, parents, real estate and construction professionals, county long-range planning personnel, and other community stakeholders. A committee comprised of such individuals may help the District with facility construction decisions based on actual or anticipated commercial or residential expansion efforts and population demographics.

The District communicates information regarding long-range planning and the status of the facilities program through Board-approved educational plant surveys, which are completed every five years and FDOE-required Five Year Facilities and Work Plans, which are updated each year. However, the District has not established a committee to consider stakeholder input, comprised of District personnel, parents, real estate and construction professionals, county long-range planning personnel, and other community stakeholders with the responsibility of developing long-range construction priorities. The use of a long range facilities construction planning committee may help the District establish facility planning opportunities and cost savings not considered by the District's current process.

- **Alternative Construction Methods or Maintenance Techniques.** The District primarily awards construction contracts to design professionals and construction contractors using traditional design-bid-build and construction management entity guaranteed maximum price construction methods. In addition, maintenance-related jobs, such as HVAC replacement and repair, are routinely performed based on safety and suitability priorities. District personnel indicated that they had not established written policies and procedures for evaluating the various construction methods or maintenance-related job techniques and, while they consider alternative methods and techniques, they have not documented evaluations of the various approaches to determine, for each major construction project or significant maintenance-related job, which would be most cost-effective and beneficial. Board-approved policies and procedures, and documented evaluations, may provide additional assurance that the District uses the most cost-effective and beneficial construction method or maintenance technique.

- **Accountability.** The District has established a written facilities management plan that provides goals and objectives for its facilities maintenance program, such as providing a safe, clean, and attractive learning environment; providing procedures for tracking and follow-up of work requests; developing on-going training programs, and providing for an efficient cost effective operation. However, the District had not established goals for facilities and maintenance operations that identify cost-effectiveness or efficiency outcomes. To adequately establish outcome measures, employees responsible for facilities and maintenance operations could set goals such as completing construction projects or maintenance-related jobs that meet or exceed building code industry standards at the lowest possible cost. Progress in attaining the goals could be measured by developing accountability systems to monitor work orders for return assignments or corrective action because a project or job did not initially meet building code requirements, and to compare project or job costs to industry standards for similar work.

  Additional goals could include setting benchmark time frames for routine projects or jobs, and progress toward meeting the goals could be measured by comparing project or job completion times to industry standards for similar work. Establishing goals that focus on accountability and measurable objectives and benchmarks could assist the District in determining whether its facilities and maintenance operations are operating as cost-effectively and efficiently as possible.

In October 2013, the Board contracted with a consulting firm to perform a study on future plans for the location of non-school (ancillary) facilities for administration, transportation, and maintenance, due to the age and conditions of these existing facilities. Although the study may address some of the procedural enhancements discussed above, the study focuses on future plans and not existing facilities.

Recommendation: The District should consider establishing a long-range facilities planning committee comprised of various stakeholders to periodically meet and assist the District in identifying long-range construction needs. Also, the District should consider developing written policies and procedures requiring the periodic evaluation of alternative construction methods and maintenance-related job techniques, and document these evaluations. In addition, the District should consider developing goals and objectives for personnel responsible for facilities and maintenance operations to identify cost-effectiveness or efficiency outcomes for these personnel.

Finding No. 8: Construction Administration

Section 1013.45(1)(c), Florida Statutes, authorizes the District to contract for the construction or renovation of facilities with a construction management entity (CME). Under the CME process, contractor profit and overhead are contractually agreed upon, and the CME is responsible for all scheduling and coordination in both design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. The CME may also be required to offer a guaranteed maximum price (GMP) that allows for the difference between certain costs of the project and the GMP amount, or the net cost savings, to be returned to the District. To appropriately monitor CME activities and ensure net cost savings are achieved for construction projects, it is important for the District to closely monitor construction costs and review documentation in support of pay requests.

In September 2010, the District approved a GMP contract with a CME totaling $33.1 million for the construction and remodeling of Horace O'Bryant Middle School (HOB). The project was completed during the 2012-13 fiscal year and final payment was made on June 20, 2013. For the HOB project, the District contracted with a firm, referred to as the owner's representative, to review monthly CME payment requests and architect invoices. Our review of District records and inquiries of District personnel disclosed that the District should enhance its procedures for monitoring GMP contract payments, as follows:

- During the course of the project, District personnel indicated that they relied on architect and owner's representative certifications that construction work was completed before payments were made to the CME, instead of reconciling CME payment requests and related schedule of values to District purchases of project materials and to subcontractors' invoices, bids, and related contracts. Such District documented reconciliations would provide additional assurance that CME services are appropriately received and applicable cost savings are realized from the contract.
- The District made final payment to the CME for the HOB project before the the punch list (incomplete or pending work) was completed; however, District records did not evidence that total project expenditures shown in the District's accounting records were reconciled with payments to the CME, District purchases of materials, construction allowances, and shared savings, or that total subcontractor payments shown on the schedule of values agreed with supporting documentation. Final payment to the CME before confirmed satisfactory receipt of all construction services increases the risk of overpayment.
- The contract with the CME for the HOB project provided that making final payment shall constitute a waiver of claims by the owner except those arising from liens, claims, security interests, or encumbrances arising out of the contract and unsettled; failure of the work to comply with the requirements of the contract documents; or terms of special warranties required by the contract documents. Since, as discussed above, final payment was made before all work was completed and before project expenditures shown in the District's accounting records were appropriately reconciled with supporting documentation, the District's ability to recover overpayments may be limited.

In October 2013, approximately four months after final payment had been made to the CME for the construction and remodeling of HOB, the Board approved a $49,500 contract with a CPA firm to perform post construction auditing services of the project. The scope of the work to be performed by the CPA firm included, for example: 1) review all change orders and supporting documentation; 2) reconcile pay applications received with contractor costs and supporting documentation; 3) reconcile construction allowances; 4) reconcile project expenditures with payments made to each vendor and contract amounts; and 5) review the contract and identify all allowable and non-allowable costs for the calculation of shared savings calculations. As of February 2014, the post construction audit of the project had not yet been completed.

Without timely documented reconciliations of CME payment requests and related schedule of values to District purchases of project materials and to subcontractors' invoices, bids, and related contracts, the District's ability to realize any potential cost savings for the GMP contract may be limited.

Recommendation: For GMP contracts, the District should establish documented procedures to ensure CME payment requests are consistent with applicable subcontractor invoices, bids, and contract documents. In addition, the District should ensure that the project closeout and final accounting has been completed before making the final payment.

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 1:
Pass-Through Entity: Florida Department of Education
Program: Special Education Cluster (CFDA Nos. 84.027 and 84.173)
Finding Type: Material Noncompliance and Material Weakness
Questioned Costs: $1,330,629

Matching, Level of Effort, and Earmarking – Maintenance of Effort. Title 34, Sections 300.203 and 300.204, Code of Federal Regulations, require that the amount of local funds or the combined State and local funds expended by the District on special education related services during the audit period be at least equal, in total or average per capita, to that of the prior fiscal year. Allowances for decreases in maintenance of effort may be made for certain reasons such as departure of special education personnel; a decrease in the enrollment of students with disabilities; and the termination of costly expenditures for long-term purchases, such as the acquisition of equipment and the construction of school facilities.

The District did not have procedures to monitor its compliance with the maintenance of effort requirements during the 2012-13 fiscal year, and District records indicated that State and local expenditures, in total and average per capita, decreased from the 2011-12 fiscal year to the 2012-13 fiscal year, as shown below:

Source	Fiscal Years 2011-12	Fiscal Years 2012-13	Difference	Amounts
State and Local Expenditures for Special Education Services	$ 9,690,162	$ 8,185,538	$ (1,504,624)	$ (1,504,624)
Full-Time Equivalent (FTE) Enrollment in Special Education	1,281	1,258	(23)	
Average Expenditures per Capita (FTE)	$ 7,565	$ 6,507	$ (1,058)	
Allowance for Decrease in FTE (23 FTE Decrease times $7,565 Average Expended for 2011-12 Fiscal Year)				173,995
Deficiency in Expenditures of State and Local Resources				$ (1,330,629)

As noted above, District records allowed a decrease of $173,995 from the maintenance of effort requirements for the decrease in FTE. However, after consideration of this reduction, there remained a deficiency in maintenance of effort from State and local funds of $1,330,629, which represents questioned costs subject to disallowance by the grantor (FDOE). Without procedures to monitor applicable maintenance of effort requirements, the risk increases that State and local funds will not be properly allocated and expended for special education services.

Professional auditing standards require that when an auditee does not comply, in all material respects, with a compliance requirement that could have a direct and material effect on one of its major Federal programs, appropriate disclosures (qualifications) should be made in the auditor's report. As the District did not comply with the requirement regarding Matching, Level of Effort, Earmarking – Maintenance of Effort that is applicable to its Special Education Cluster programs, our report on the District's compliance with that requirement includes a qualification to that effect.

Recommendation: The District should establish controls over State and local resources allocated and expended for District Special Education programs to ensure compliance with the Federal maintenance of effort requirement. In addition, the District should document to the grantor (FDOE) its compliance with this requirement or restore $1,330,629 to the Special Education Cluster programs.

District Contact Person and Title: James Drake, Executive Director of Finance and Performance

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2013-170. The following table provides information on recurring District audit findings:

Current Fiscal Year Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers
2	Audit Report No. 2013-170, Finding No. 6	Audit Report No. 2012-170, Finding No. 13
3	Audit Report No. 2013-170, Finding No. 8	NA
4	Audit Report No. 2013-170, Finding No. 10	Audit Report No. 2012-170, Finding No. 11
6	Audit Report No. 2013-170, Finding No. 13	NA

NA – Not applicable (Note: Above chart limits recurring findings to two previous audit reports.)

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

MONROE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

Listed below is the District's summary of the status of prior audit findings on Federal programs:

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2009-209 (1)	Adult Education - Basic Grants to States (CFDA No. 84.002); Career and Technical Education - Basic Grants to States (CFDA No. 84.048); and Tech-Prep Education (CFDA No. 84.243) - Allowable Costs/Cost Principles.	The District records did not evidence the basis or authority for certain costs, resulting in questioned costs totaling $31,483.16 (CFDA No. 84.002 - $12,688.46 for the 2007-08 fiscal year, and $12,645.73 for the 2008-09 fiscal year; CFDA No. 84.048 - $5,608.80; and CFDA No. 84.243 - $540.17).	Corrected.	The grantor has determined that no further action is required relative to this finding and did not require restoration of questioned costs.
2010-181 (1) 2011-170 (2) 2012-170 (2) 2013-170 (4)	Adult Education – Basic Grants to States (CFDA No. 84.002); Title I Grants to Local Educational Agencies (CFDA No. 84.010); Twenty-First Century Community Learning Centers (CFDA No. 84.287); and Improving Teaching Quality State Grants (CFDA No. 84.367) - Allowable Costs/Cost Principles.	Controls over charges to Federal programs could be improved to help ensure that grant activities are properly managed and monitored and that Federal funds are only spent for grant activities. Lack of adequate monitoring over these programs resulted in fiscal year 2008-09 questioned costs of $111,312.94 (CFDA No. 84.002 - $19,784.94; CFDA No. 84.010 - $88,873, and CFDA No. 84.367 - $2,655), fiscal year 2009-10 fiscal year questioned costs of $29,440.50 (CFDA No. 84.010 - $23,140 and CFDA No. 84.287 - $6,300.50), fiscal year 2010-11 questioned costs of $2,072.90 (CFDA No. 84.010 - $1,310.40 and CFDA No. 84.287 - $762.50), and fiscal year 2011-12 questioned costs of $938 (CFDA No. 84.287).	Partially corrected.	The District continues to implement controls to monitor grant activities. As noted in the prior audit report, the Twenty-First Century Learning Centers grant is no longer in place. The grantor has determined that questioned costs of the Adult Ed grant totaling $19,784.94; Title I grant totaling $88,873; and the Twenty-First Century Learning Centers grant totaling $10,656 are allowable and is requiring repayment of $24,450.40 to the Title I grant.
2010-181 (2) 2011-170 (3) 2012-170 (1) 2013-170 (3)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Adult Education – Basic Grants to States (CFDA No. 84.002); Education for Homeless Children and Youth (CFDA No. 84.196); Twenty-First Century Community Learning Centers (CFDA No. 84.287); and State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive Grants, Recovery Act (CFDA 84.395) - Allowable Costs/Cost Principles – Documentation of Time and Effort.	Procedures could be improved to provide for the required semiannual certification for employees who work solely on a single Federal program and periodic personnel activity reports for employees who work on multiple activities or cost objectives. Unsupported payroll expenditures resulted in questioned costs of $11,281 (CFDA No. 84.002) for the 2008-09 fiscal year; $84,015 (CFDA No. 84.196 - $17,433 and CFDA No. 84.287 - $66,582) for the 2009-10 fiscal year; and $14,382.37 (CFDA No. 84.395) for the 2011-12 fiscal year.	Partially corrected.	The District continues to develop and implement controls to ensure that payroll expenditures are properly separated and reported. The grantor has determined that questioned costs totaling $17,433 be repaid to the Education for Homeless Children and Youth grant and $14,382.37 be repaid to the State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive Grants, Recovery Act grant. The grantor has determined the remaining questioned costs are allowable.
2010-181 (4) 2011-170 (1)	Special Education Cluster (CFDA Nos. 84.027 and 84.391) - Matching, Level of Effort, Earmarking – Early Intervention Earmark.	Procedures could be enhanced to ensure charges to the Special Education program for early intervention services are properly supported, resulting in questioned costs of $311,707.81 for the 2009-10 fiscal year.	Corrected.	The District provided the grantor with supporting documentation. The grantor accepted this documentation and did not require repayment of the questioned costs.
2013-170 (1)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Period of Availability.	The District incurred expenditures outside the period of availability, resulting in $36,793.40 of questioned costs.	Corrected.	The grantor has determined that no further action is required and did not require restoration of questioned costs.
2013-170 (2)	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389) - Eligibility	The District did not properly allocate Title I schoolwide program resources to schools in rank order, on the basis of the total number of children from low income families in each school, resulting in $18,475.34 of questioned costs.	Corrected.	The grantor has determined that no further action is required relative to this finding and did not require restoration of questioned costs.
2013-170 (5)	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036) - Reporting	The District's Schedule of Expenditures of Federal Awards excluded the Disaster Grants – Public Assistance (Presidentially Declared Disasters) Program with expenditures of $359,056.	Corrected.	Controls have been implemented to insure that the District's Schedule of Expenditures of Federal Awards includes all appropriate Federal programs.

EXHIBIT A
MANAGEMENT'S RESPONSE

MARK T. PORTER
Superintendent of School

CHARTING THE COURSE
To Excellence in the Monroe County Schools

March 18, 2014

Mr. David W. Martin, CPA
Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin,

I have reviewed the list of preliminary and tentative findings and recommendations based on your financial, Federal, and operational audit of the Monroe County District School Board for the fiscal year ended June 30, 2013. My response to each finding are as noted below:

Finding No. 1:

The Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes, and had not adopted policies and procedures for employee salary adjustments.

Response:

District leadership will establish a documented process for identifying instructional personnel entitled to differentiated pay as prescribed in the aforementioned statute. This process will also prescribe the factors to be used for establishing and adjusting noninstructional salaries. We expect to have such policies submitted to the Board in the next 90 days.

Finding No 2:

The District's Workers Compensation/General Liability Internal Service Fund had a $1,239,721 net position deficit at June 30, 2013.

Response:

As recommended, the District is continuing its efforts to eliminate the net position deficit of the internal service fund. It should be noted that the Board assigned a portion of fund

Office of the Superintendent
241 Trumbo Road • Key West, FL 33040
Tel. (305) 293-1400 • Fax (305) 293-1408
www.KeysSchools.com

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

balance of the General Fund in the amount of the net position deficit so as to identify sufficient resources being available for unexpected claims of the self-insurance program.

Finding No. 3:
Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education (FDOE).

Response:

The District is strengthening its controls to ensure accurate reporting of instructional contact hours for adult general education to FDOE. Controls have been instituted in the 2013-2014 fiscal year to ensure more accurate reporting. District staff has contacted the FDOE and has been informed that no additional actions are required at this time.

Finding No. 4:
Payroll processing procedures could be enhanced to ensure that all employee work time is appropriately documented and approved, accurately recorded, and reconciled to payroll leave records.

Response:

Payroll processing procedures are being enhanced to ensure that all employee work time is appropriately documented and approved, accurately recorded and reconciled to payroll leave records. For example, effective for the 2013-2014 fiscal year, timesheets are collected from schools and departments in the payroll department to ensure that appropriate documentation is available to support salary payments and reconciled to ensure that such records are consistent with approved leave records.

Finding No. 5:
Journal entries were not always timely reviewed and approved by supervisory personnel.

Response:

Controls have been instituted to ensure a documented independent review and approval of journal entries.

Finding No. 6:
Improvements could be made to ensure that vehicle logs for District-owned vehicles are properly maintained and reviewed by supervisory personnel.

Response:

The District is continuing its effort to enhance procedures that will ensure that vehicle logs for District-owned vehicles are properly maintained and reviewed.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Monroe County School District
Page 3 of 3

Finding No. 7:
Controls over facilities construction and maintenance activities could be enhanced.

Response:

The District will consider establishing a long-range facilities planning committee to periodically meet and assist the District in identifying long-range construction needs as well as developing written policies and procedures requiring a periodic documented evaluation of alternative construction methods and maintenance-related job techniques. The District will also consider developing goals and objectives for facilities and operations personnel to identify appropriate outcomes.

Finding No. 8:
Enhancements could be made to ensure that payments made on guaranteed maximum price construction contracts are consistent with the contract terms and supporting documentation.

Response:

The District will establish documented procedures to ensure the construction management entity payment requests are consistent with applicable subcontractor invoices, bids, and contract documents. Such procedures will be presented to the Board for its consideration within 90 days. The procedures will also address project closeout and final accounting prior to making the final payment.

Federal Awards Finding No. 1:
The District did not have procedures to monitor its compliance with maintenance of effort requirements, resulting in $1,330,629 of questioned costs.

Response:

The District has implemented procedures to monitor its compliance with maintenance of effort requirements. Although the District agrees that a maintenance of effort issue existed in the 2012-2013 fiscal year, we do not agree with the amount of the questioned costs. District staff has already been in contact with the Florida Department of Education in an effort to resolve this issue as expeditiously as possible. We anticipate resolution of this finding by the end of the current fiscal year.

We appreciate the professionalism of staff throughout the audit process.

Sincerely,

Mark T. Porter

Mark T. Porter, Superintendent
Monroe County Schools