REPORT NO. 2015-143
MARCH 2015

# WASHINGTON COUNTY DISTRICT SCHOOL BOARD

## Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2014




STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

## BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2013-14 fiscal year are listed below:

| | District No. |
|---|---|
| Vann Brock | 1 |
| Wayne C. Saunders | 2 |
| Milton L. Brown | 3 |
| Terry Ellis, Chair | 4 |
| Susan G. Roberts, Vice Chair | 5 |

Herbert J. Taylor, Superintendent

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 Jason R. Law, and the audit was supervised by Patricia S. Crutchfield, CPA, CFE. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

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.

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# 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: Controls over construction administration could be enhanced.**

**Finding No. 2: The District retained, without commitment, certain State capital outlay appropriations beyond the point at which they were subject to reversion to the State.**

**Finding No. 3: The District needed to strengthen its controls to ensure that required background screenings are timely performed for instructional personnel and noninstructional contractors.**

**Finding No. 4: Controls over contractual services needed enhancement.**

**Finding No. 5: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.**

**Finding No. 6: The District needed to enhance controls over its health insurance plan.**

**Finding No. 7: Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.**

**Finding No. 8: The District's information technology (IT) security incident response plan needed improvement.**

**Finding No. 9: The District's IT security controls related to data loss prevention and management of access privileges needed improvement.**

## Summary of Report on Federal Awards

**We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Special Education Cluster, School Improvement Grants, 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. However, we did note a noncompliance and control deficiency finding as summarized below.**

**Federal Awards Finding No. 2014-001: Title I program resources were not properly allocated to schools, resulting in $17,265.38 of questioned costs.**

**Our audit objectives were to determine whether the Washington 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. 2014-114.**

**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, 2014. 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

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111 West Madison Street
Tallahassee, Florida 32399-1450

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AUDITOR GENERAL

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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 business-type activities, each major fund, and the aggregate remaining fund information of the Washington County District School Board, as of and for the fiscal year ended June 30, 2014, 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 17 percent of the assets and 35 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based solely on the report 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 report 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 business-type activities, each major fund, and the aggregate remaining fund information for the Washington County District School Board as of June 30, 2014, 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.

***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, TEN-YEAR CLAIMS DEVELOPMENT INFORMATION – PANHANDLE AREA EDUCATIONAL CONSORTIUM – RISK MANAGEMENT CONSORTIUM PROPERTY/CASUALTY PROGRAM,** 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 District'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 12, 2015

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Washington County District School Board has prepared the following discussion and analysis to provide an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2014. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and 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 2013-14 fiscal year are as follows:

- The District's total net position decreased by $2,503,605.06, or 3 percent. This change was attributable to a decrease in the net position of governmental activities of $2,760,569.62, or 4 percent, which includes a prior period adjustment to net position of $81,663.98, and an increase in the net position of business-type activities of $256,964.56, or 1.8 percent.
- During the current fiscal year, General Fund expenditures exceeded revenues by $2,241,481.72. This may be compared to last fiscal year's results in which General Fund expenditures exceeded revenues by $268,706.40.

## OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements;
- Fund financial statements; and
- Notes to financial statements.

In addition to the basic financial statements, this report presents certain required supplementary information, which includes the MD&A, the budgetary comparison schedule, the schedule of funding progress – other postemployment benefits plan, the ten-year claims development information, and notes to required supplementary information.

### 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 and business-type 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 equal 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, the results of operations, during the fiscal year. 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.
- Business-type activities – These activities account for the financial resources of the Panhandle Area Educational Consortium (PAEC), the PAEC – Risk Management Consortium (RMC) Property/Casualty

Program, a public entity risk pool, and the PAEC – RMC Health Program for which the District is fiscal agent.

### 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, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and 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, and Special Revenue – Federal 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 and major Special Revenue Funds to demonstrate compliance with the budget.

**Proprietary Funds**: Proprietary funds may be established to account for activities in which a fee is charged for services. Two types of proprietary funds are maintained:

- Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. Enterprise funds are appropriate for activities in which a fee is charged to external users of the District's goods and 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 an internal service fund to account for the District's Health Self-Insurance Program. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has 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, only in more detail, for those enterprise funds determined to be major. The District's major enterprise funds are the PAEC – Risk Management Property/Casualty Fund, the PAEC – Risk Management Health Fund, the PAEC – Programs Other Than Risk Management – Federal Economic Stimulus Fund, and the PAEC – Programs Other Than Risk

Management Fund. In addition, the internal service fund is a single 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 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, and ten-year claims information of the Risk Management Consortium Property/Casualty Program.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2014, compared to net position as of June 30, 2013:

**Net Position, End of Year**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 6-30-14 | 6-30-13 | 6-30-14 | 6-30-13 | 6-30-14 | 6-30-13 |
| Current and Other Assets | $ 14,406,097.67 | $ 17,571,881.82 | $ 23,453,697.08 | $ 23,585,213.24 | $ 37,859,794.75 | $ 41,157,095.06 |
| Capital Assets | 62,710,486.03 | 61,469,053.71 | 2,021,441.28 | 1,989,010.78 | 64,731,927.31 | 63,458,064.49 |
| **Total Assets** | 77,116,583.70 | 79,040,935.53 | 25,475,138.36 | 25,574,224.02 | 102,591,722.06 | 104,615,159.55 |
| Long-Term Liabilities | 8,404,172.82 | 7,560,426.20 | 6,820,167.78 | 6,411,133.64 | 15,224,340.60 | 13,971,559.84 |
| Other Liabilities | 2,303,526.15 | 2,311,054.98 | 4,402,160.98 | 5,167,245.34 | 6,705,687.13 | 7,478,300.32 |
| **Total Liabilities** | 10,707,698.97 | 9,871,481.18 | 11,222,328.76 | 11,578,378.98 | 21,930,027.73 | 21,449,860.16 |
| Net Position: | | | | | | |
| Net Investment in Capital Assets | 62,580,486.03 | 61,309,053.71 | 2,021,441.28 | 1,989,010.78 | 64,601,927.31 | 63,298,064.49 |
| Restricted | 5,364,414.23 | 6,876,743.80 | | | 5,364,414.23 | 6,876,743.80 |
| Unrestricted (Deficit) | (1,536,015.53) | 983,656.84 | 12,231,368.32 | 12,006,834.26 | 10,695,352.79 | 12,990,491.10 |
| **Total Net Position** | $ 66,408,884.73 | $ 69,169,454.35 | $ 14,252,809.60 | $ 13,995,845.04 | $ 80,661,694.33 | $ 83,165,299.39 |

The largest portion of the District's net position (80.1 percent) is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position (6.6 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (13.3 percent) may be used to meet the District's ongoing obligations to students, employees, and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all categories of net position for the governmental and business-type activities, except the unrestricted net position of the governmental activities.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2014, and June 30, 2013, are as follows:

**Operating Results for the Fiscal Year Ended**

| | Governmental Activities | | Business-Type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 6-30-14 | 6-30-13 | 6-30-14 | 6-30-13 | 6-30-14 | 6-30-13 |
| Program Revenues: | | | | | | |
| Charges for Services | $ 1,223,501.83 | $ 1,644,815.87 | $ 8,914,823.83 | $ 10,685,494.37 | $ 10,138,325.66 | $ 12,330,310.24 |
| Operating Grants and Contributions | 1,350,159.01 | 1,287,110.99 | 290,421.00 | 254,601.82 | 1,640,580.01 | 1,541,712.81 |
| Capital Grants and Contributions | 211,311.00 | 240,234.66 | | | 211,311.00 | 240,234.66 |
| General Revenues: | | | | | | |
| Property Taxes, Levied for Operational Purposes | 5,357,478.03 | 5,840,058.69 | | | 5,357,478.03 | 5,840,058.69 |
| Property Taxes, Levied for Capital Projects | 1,331,018.05 | 1,422,292.53 | | | 1,331,018.05 | 1,422,292.53 |
| Grants and Contributions Not Restricted to Specific Programs | 26,448,110.19 | 25,387,265.02 | 8,112,424.22 | 7,838,129.18 | 34,560,534.41 | 33,225,394.20 |
| Unrestricted Investment Earnings | 22,398.62 | 81,125.81 | 28,766.58 | 99,937.83 | 51,165.20 | 181,063.64 |
| Miscellaneous | 734,282.95 | 642,726.81 | 153,225.45 | 192,484.48 | 887,508.40 | 835,211.29 |
| Gain and Sale of Assets | | 11,503.10 | | | | 11,503.10 |
| **Total Revenues** | 36,678,259.68 | 36,557,133.48 | 17,499,661.08 | 19,070,647.68 | 54,177,920.76 | 55,627,781.16 |
| Functions/Program Expenses: | | | | | | |
| Instruction | 19,698,688.11 | 18,673,877.51 | | | 19,698,688.11 | 18,673,877.51 |
| Student Personnel Services | 1,687,943.98 | 1,500,139.32 | | | 1,687,943.98 | 1,500,139.32 |
| Instructional Media Services | 557,350.18 | 490,004.94 | | | 557,350.18 | 490,004.94 |
| Instruction and Curriculum Development Services | 346,524.64 | 346,202.20 | | | 346,524.64 | 346,202.20 |
| Instructional Staff Training Services | 955,905.56 | 859,149.99 | | | 955,905.56 | 859,149.99 |
| Instruction Related Technology | 521,328.94 | 469,042.21 | | | 521,328.94 | 469,042.21 |
| School Board | 476,160.73 | 466,503.18 | | | 476,160.73 | 466,503.18 |
| General Administration | 460,326.15 | 357,658.05 | | | 460,326.15 | 357,658.05 |
| School Administration | 2,643,025.13 | 2,497,797.71 | | | 2,643,025.13 | 2,497,797.71 |
| Fiscal Services | 519,135.38 | 492,173.36 | | | 519,135.38 | 492,173.36 |
| Food Services | 1,797,754.95 | 1,727,622.50 | | | 1,797,754.95 | 1,727,622.50 |
| Central Services | 305,790.64 | 341,533.19 | | | 305,790.64 | 341,533.19 |
| Student Transportation Services | 2,486,047.25 | 2,440,436.84 | | | 2,486,047.25 | 2,440,436.84 |
| Operation of Plant | 2,067,570.68 | 2,110,210.10 | | | 2,067,570.68 | 2,110,210.10 |
| Maintenance of Plant | 746,006.32 | 848,695.40 | | | 746,006.32 | 848,695.40 |
| Administrative Technology Services | 388,822.56 | 249,553.61 | | | 388,822.56 | 249,553.61 |
| Community Services | 1,158,597.49 | 1,125,694.81 | | | 1,158,597.49 | 1,125,694.81 |
| Unallocated Interest on Long-Term Debt | 9,001.08 | 10,076.32 | | | 9,001.08 | 10,076.32 |
| Unallocated Depreciation Expense | 2,300,253.30 | 2,233,461.32 | | | 2,300,253.30 | 2,233,461.32 |
| Loss on Disposal of Capital Assets | 31,869.59 | | | | 31,869.59 | |
| PAEC Risk Management Property/Casualty | | | 7,231,874.55 | 7,718,009.99 | 7,231,874.55 | 7,718,009.99 |
| PAEC Risk Management Health | | | 106,876.98 | 156,840.45 | 106,876.98 | 156,840.45 |
| PAEC Programs Other Than Risk Management - Federal Economic Stimulus | | | 3,082,224.82 | 2,608,859.31 | 3,082,224.82 | 2,608,859.31 |
| PAEC Programs Other Than Risk Management | | | 7,020,782.83 | 8,279,955.16 | 7,020,782.83 | 8,279,955.16 |
| **Total Functions/Program Expenses** | 39,158,102.66 | 37,239,832.56 | 17,441,759.18 | 18,763,664.91 | 56,599,861.84 | 56,003,497.47 |
| **Excess (Deficiency) Before Transfers** | (2,479,842.98) | (682,699.08) | 57,901.90 | 306,982.77 | (2,421,941.08) | (375,716.31) |
| Transfers In (Out) | (199,062.66) | (15,664.86) | 199,062.66 | 15,664.86 | | |
| **Change in Net Position** | (2,678,905.64) | (698,363.94) | 256,964.56 | 322,647.63 | (2,421,941.08) | (375,716.31) |
| Net Position - Beginning | 69,169,454.35 | 69,867,818.29 | 13,995,845.04 | 13,673,197.41 | 83,165,299.39 | 83,541,015.70 |
| Adjustment to Beginning Net Position | (81,663.98) | | | | (81,663.98) | |
| **Net Position - Beginning - Restated** | 69,087,790.37 | 69,867,818.29 | 13,995,845.04 | 13,673,197.41 | 83,083,635.41 | 83,541,015.70 |
| **Net Position - Ending** | $ 66,408,884.73 | $ 69,169,454.35 | $ 14,252,809.60 | $ 13,995,845.04 | $ 80,661,694.33 | $ 83,165,299.39 |

The largest revenue source for governmental activities is the State of Florida (60 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs for governmental activities increased by $1,060,845.17, or 4.2 percent, mainly due to the receipt of a FEFP funded Teacher Salary Allocation and an increase in Race-to-the-Top, and the Individuals with Disabilities Education Act (IDEA), and Title I program funds.

Charges for services for business-type activities decreased $1,770,670.54, or 16.6 percent due, in part to decreased premium assessments for member districts in the PAEC – Risk Management Property/Casualty Fund and a reduction in the assessments for FOCUS software and the Gateway Student Services in the PAEC – Programs Other Than Risk Management Fund.

PAEC - Risk Management Property/Casualty expenses decreased by $486,135.44, or 6.3 percent, mainly due to decreases in excess insurance premiums and purchased services, partially offset by an increase in insurance claims expense.

PAEC - Programs Other Than Risk Management – Federal Economic Stimulus expenses increased by $473,365.51, or 18.1 percent, mainly due to an increase in employee salaries and benefits attributable to the American Reinvestment and Recovery Act (ARRA) - School Improvement Grants program.

PAEC - Programs Other Than Risk Management expenses decreased by $1,260,222.98, or 15.2 percent, mainly due to decreases in purchased services and employee salaries and benefits as a result of a decrease in Federal grants.

Instruction expenses represent 50.3 percent of total governmental activities' expenses in the 2013-14 fiscal year. Instruction expenses increased by $1,024,810.60, or 5.5 percent, due to increased expenses for salaries and benefits and non-capitalized instructional technology equipment.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds decreased by $3,405,684.89, after a prior period adjustment of $81,663.98, during the fiscal year to $10,434,930.85 at June 30, 2014. Approximately 10.4 percent of this amount is unassigned fund balance ($1,085,432.15), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form ($20,456.25), 2) restricted for particular purposes ($5,364,414.23), 3) committed for particular purposes ($2,254,417.50), or 4) assigned for particular purposes ($1,710,210.72).

### Major Governmental Funds

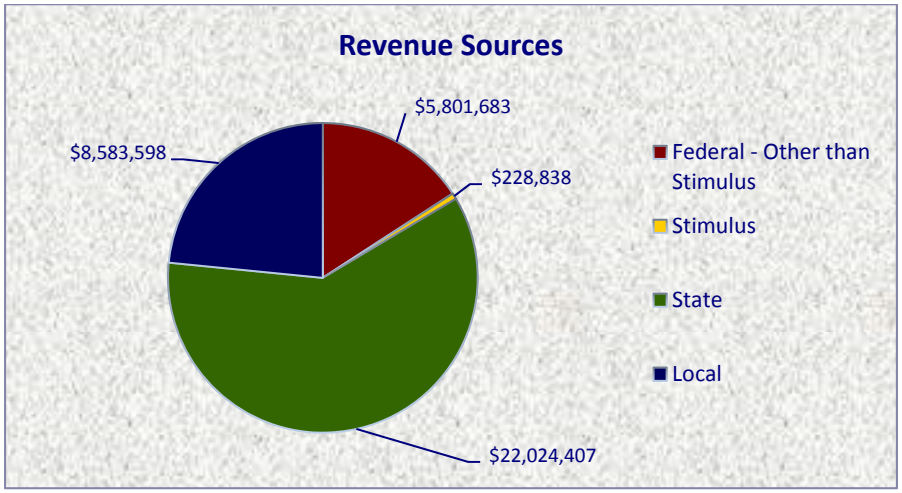
The following indicates the District's governmental fund balances by category for the General Fund, which is the District's chief operating fund:

- *Nonspendable*: The nonspendable fund balance at June 30, 2014, is $20,456.25. This amount is for investments in the Fund B Surplus Funds Trust Fund, which is not subject to participant withdrawal requests.
- *Restricted:* The total restricted fund balance at June 30, 2014, is $4,792,549.72, which consists of State required carryover programs, $3,635,982.21; workforce development, $1,085,505.47; and other required carryover programs, $71,062.04. There was a decrease in restricted fund balance of $343,754.80 due in part to the reversion of unspent Teacher Recruitment and Retention Program appropriations from the 2000-01 and 2001-02 fiscal years of $13,043.41 and $68,620.57, respectively.
- *Committed*: Funds totaling $2,254,417.50 are committed for the payment of compensated absences. The committed fund balance decreased $2,925,482.45 primarily due to the reclassification of $1,710,210.72 from committed fund balance to assigned fund balance.
- *Assigned:* Funds totaling $1,710,210.72 are assigned for cost center and project carryovers and environmental cleanup. These funds were reported as committed fund balance in the prior fiscal year.
- *Unassigned*. The unassigned fund balance is $1,085,432.15 at June 30, 2014. The unassigned fund balance decreased $610,630.95, due to payments for architectural services for the new elementary school, as discussed below, a district-wide broadband expansion project, and teacher salary increases.

The total fund balance of the General Fund decreased $2,237,110.12, mainly as a result of a reduction in FEFP revenues from declining student enrollment, payments for architectural services for the new elementary school, a district-wide broadband expansion project, and teacher salary increases, and a prior period adjustment of $81,663.98. The District's General Fund will be reimbursed for architectural fees, totaling $971,564.86, when the 2014-15 fiscal year Special Facilities Funding becomes available.

The Special Revenue – Other Fund and the Special Revenue – Federal Economic Stimulus Fund have zero fund balances at the end of the current fiscal year. The District used these funds to account for certain Federal grant program resources. Since Federal revenue is recognized to the extent that eligible expenditures have been incurred, these funds generally do not accumulate a fund balance. Revenues and expenditures of the Special Revenue – Other Fund total $4,263,333.37 each, representing increases of $358,645.07 each from the prior fiscal year. The increases occurred primarily because, as previously discussed, funding increased for the IDEA and Title I program. Revenues and expenditures of the Special Revenue – Federal Economic Stimulus Fund total $228,837.52 each, representing increases of $119,120.99 each from the prior fiscal year mainly from the completion of the Race-to-the-Top program.

The following chart indicates the sources of revenues for the District's governmental funds for the 2013-14 fiscal year.



### Proprietary Funds

The net position of the PAEC – Risk Management Property/Casualty Fund totals $12,279,036.50 at June 30, 2014, an increase of $170,815.31 from the previous fiscal year primarily due to a decrease in excess insurance premiums paid.

The net position of the PAEC – Risk Management Health Fund increased $8,169.08 from the previous fiscal year due to increased assessments to participating districts.

The net position of the PAEC – Programs Other Than Risk Management – Federal Economic Stimulus Fund is $21,697.79 and classified as net investment in capital assets. The District used these funds to account for Federal Stimulus program resources received by the PAEC.

The net position of the PAEC – Programs Other Than Risk Management Fund totals $1,939,081.08 at June 30, 2014, an increase of $87,432.60 from the previous fiscal year primarily due to an increase in transfers from the General Fund for indirect costs pursuant to the fiscal agent agreement.

## GENERAL FUND BUDGETARY HIGHLIGHTS

There were no significant variances between the original and final budgets. The positive final budget variances include amounts budgeted for instruction, compensated absences, school rollforwards, contract schools, grants, and construction and maintenance projects, which were in excess of the actual expenditures.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

Major capital asset events included the following:

- The District completed the gymnasium lobby expansion at the Chipley High School.
- The construction of the new Vernon Elementary School 5th grade wing was substantially completed at June 30, 2014.

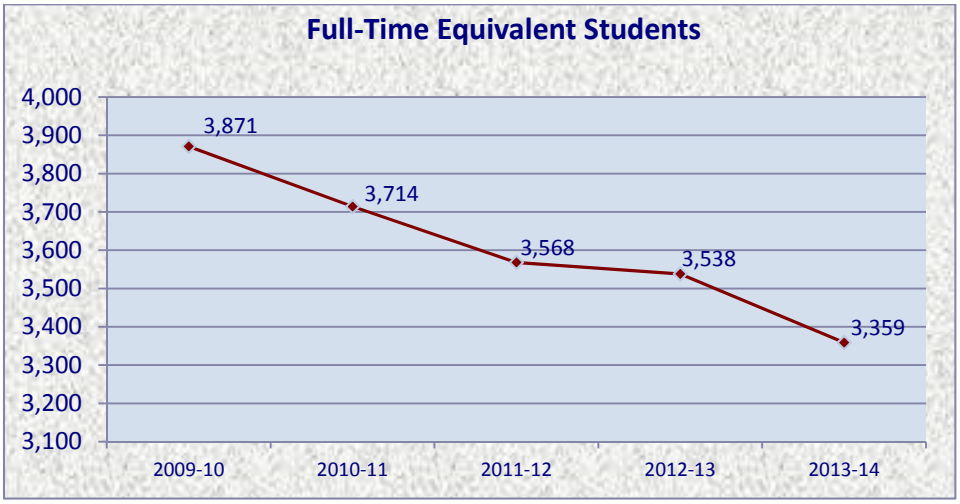
Additional information on the District's capital assets can be found in notes I.F.4, III.C, and III.F to the financial statements.

### Long-Term Debt

The District did not issue any long-term debt during the 2013-14 fiscal year. Additional information on the District's long-term debt can be found in note III.I to the financial statements.

## OTHER MATTERS OF SIGNIFICANCE

- Pursuant to Section 1013.64, Florida Statutes, the District was awarded a special allocation totaling $27,679,085 in the 2014-15 fiscal year for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund - Special Facility Construction account. The District will receive the first of three encumbrance authorizations in the amount of $9,226,362 in the 2014-15 fiscal year. The funding will be used for the construction of the new Kate Smith Elementary School.
- *Student Enrollment and Funding*: State revenues comprise 74.8 percent of total available General Fund resources of the District. Revenues from State sources are primarily from the FEFP administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this statute, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. FEFP funding is determined based on these counts of FTE students.
- *Full-Time Equivalent Students*: The following chart reflects the trend of unweighted FTE counts for the last five fiscal years. Since the 2009-10 fiscal year, the District's FTE count has been in a steady state of decline. The 2013-14 fiscal year FTE count is down 512 from the 2009-10 fiscal year count.




## REQUESTS FOR INFORMATION

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Washington County District School Board, 652 Third Street, Chipley, FL 32428.

# BASIC FINANCIAL STATEMENTS

***WASHINGTON COUNTY***
***DISTRICT SCHOOL BOARD***
***STATEMENT OF NET POSITION***
***June 30, 2014***

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and Cash Equivalents | $ 12,074,271.12 | $ 22,855,935.42 | $ 34,930,206.54 |
| Investments | 28,407.67 | 44,799.36 | 73,207.03 |
| Accounts Receivable | 171,731.06 | 126,989.63 | 298,720.69 |
| Internal Balances | 1,077,065.17 | (1,077,065.17) | |
| Due from Other Agencies | 670,692.65 | 190,322.52 | 861,015.17 |
| Due from Excess Insurer | 383,930.00 | 1,310,357.04 | 1,694,287.04 |
| Inventories | | 2,358.28 | 2,358.28 |
| Capital Assets: | | | |
| Nondepreciable Capital Assets | 4,789,081.64 | 665,380.10 | 5,454,461.74 |
| Depreciable Capital Assets, Net | 57,921,404.39 | 1,356,061.18 | 59,277,465.57 |
| **TOTAL ASSETS** | 77,116,583.70 | 25,475,138.36 | 102,591,722.06 |
| **LIABILITIES** | | | |
| Salaries and Benefits Payable | 369,604.92 | | 369,604.92 |
| Payroll Deductions and Withholdings | 232,833.12 | | 232,833.12 |
| Accounts Payable | 668,271.21 | 235,348.46 | 903,619.67 |
| Construction Contracts Payable | 657,124.93 | | 657,124.93 |
| Due to Other Agencies | 2,593.13 | 4,139,369.55 | 4,141,962.68 |
| Deposits Payable | 510.00 | | 510.00 |
| Advanced Revenue | 23,318.84 | 27,442.97 | 50,761.81 |
| Estimated Insurance Claims Payable | 349,270.00 | | 349,270.00 |
| Long-Term Liabilities: | | | |
| Portion Due Within One Year | 423,733.08 | 2,216,769.07 | 2,640,502.15 |
| Portion Due After One Year | 7,980,439.74 | 4,603,398.71 | 12,583,838.45 |
| **TOTAL LIABILITIES** | 10,707,698.97 | 11,222,328.76 | 21,930,027.73 |
| **NET POSITION** | | | |
| Net Investment in Capital Assets | 62,580,486.03 | 2,021,441.28 | 64,601,927.31 |
| Restricted for: | | | |
| State Required Carryover Programs | 3,635,982.21 | | 3,635,982.21 |
| Debt Service | 3,415.11 | | 3,415.11 |
| Capital Projects | 560,960.14 | | 560,960.14 |
| Food Service | 7,489.26 | | 7,489.26 |
| Workforce Development | 1,085,505.47 | | 1,085,505.47 |
| Other Required Carryover Programs | 71,062.04 | | 71,062.04 |
| Unrestricted | (1,536,015.53) | 12,231,368.32 | 10,695,352.79 |
| **TOTAL NET POSITION** | $ 66,408,884.73 | $ 14,252,809.60 | $ 80,661,694.33 |

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

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***WASHINGTON COUNTY***
***DISTRICT SCHOOL BOARD***
***STATEMENT OF ACTIVITIES***
***For the Fiscal Year Ended June 30, 2014***

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions |
|---|---|---|---|---|
| **Governmental Activities:** | | | | |
| Instruction | $ 19,698,688.11 | $ 954,515.89 | $ | $ |
| Student Personnel Services | 1,687,943.98 | | | |
| Instructional Media Services | 557,350.18 | | | |
| Instruction and Curriculum Development Services | 346,524.64 | | | |
| Instructional Staff Training Services | 955,905.56 | | | |
| Instruction Related Technology | 521,328.94 | | | |
| School Board | 476,160.73 | | | |
| General Administration | 460,326.15 | | | |
| School Administration | 2,643,025.13 | | | |
| Facilities Acquisition and Construction | | | | 172,026.30 |
| Fiscal Services | 519,135.38 | | | |
| Food Services | 1,797,754.95 | 174,164.78 | 1,350,159.01 | |
| Central Services | 305,790.64 | | | |
| Student Transportation Services | 2,486,047.25 | 94,821.16 | | |
| Operation of Plant | 2,067,570.68 | | | |
| Maintenance of Plant | 746,006.32 | | | |
| Administrative Technology Services | 388,822.56 | | | |
| Community Services | 1,158,597.49 | | | |
| Unallocated Interest on Long-Term Debt | 9,001.08 | | | 39,284.70 |
| Unallocated Depreciation Expense* | 2,300,253.30 | | | |
| Loss on Disposition of Assets | 31,869.59 | | | |
| **Total Governmental Activities** | 39,158,102.66 | 1,223,501.83 | 1,350,159.01 | 211,311.00 |
| **Business-Type Activities:** | | | | |
| PAEC - Risk Management Property/Casualty | 7,231,874.55 | 7,375,938.00 | | |
| PAEC - Risk Management Health | 106,876.98 | | 115,026.00 | |
| PAEC - Programs Other Than Risk Management - Federal Economic Stimulus | 3,082,224.82 | | | |
| PAEC - Programs Other Than Risk Management | 7,020,782.83 | 1,538,885.83 | 175,395.00 | |
| **Total Business-Type Activities** | 17,441,759.18 | 8,914,823.83 | 290,421.00 | |
| **Total Governmental and Business-Type Activities** | $ 56,599,861.84 | $ 10,138,325.66 | $ 1,640,580.01 | $ 211,311.00 |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property Taxes, Levied for Operational Purposes | | | | |
| Property Taxes, Levied for Capital Projects | | | | |
| Grants and Contributions Not Restricted to Specific Programs | | | | |
| Unrestricted Investment Earnings | | | | |
| Miscellaneous | | | | |
| Transfers | | | | |
| **Total General Revenues and Transfers** | | | | |
| **Change in Net Position** | | | | |
| Net Position - Beginning | | | | |
| Adjustment to 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 | | |
| Governmental Activities | Business-Type Activities | Total |
| $ (18,744,172.22) | $ | $ (18,744,172.22) |
| (1,687,943.98) | | (1,687,943.98) |
| (557,350.18) | | (557,350.18) |
| (346,524.64) | | (346,524.64) |
| (955,905.56) | | (955,905.56) |
| (521,328.94) | | (521,328.94) |
| (476,160.73) | | (476,160.73) |
| (460,326.15) | | (460,326.15) |
| (2,643,025.13) | | (2,643,025.13) |
| 172,026.30 | | 172,026.30 |
| (519,135.38) | | (519,135.38) |
| (273,431.16) | | (273,431.16) |
| (305,790.64) | | (305,790.64) |
| (2,391,226.09) | | (2,391,226.09) |
| (2,067,570.68) | | (2,067,570.68) |
| (746,006.32) | | (746,006.32) |
| (388,822.56) | | (388,822.56) |
| (1,158,597.49) | | (1,158,597.49) |
| 30,283.62 | | 30,283.62 |
| (2,300,253.30) | | (2,300,253.30) |
| (31,869.59) | | (31,869.59) |
| (36,373,130.82) | | (36,373,130.82) |
| | 144,063.45 | 144,063.45 |
| | 8,149.02 | 8,149.02 |
| | (3,082,224.82) | (3,082,224.82) |
| | (5,306,502.00) | (5,306,502.00) |
| | (8,236,514.35) | (8,236,514.35) |
| (36,373,130.82) | (8,236,514.35) | (44,609,645.17) |
| 5,357,478.03 | | 5,357,478.03 |
| 1,331,018.05 | | 1,331,018.05 |
| 26,448,110.19 | 8,112,424.22 | 34,560,534.41 |
| 22,398.62 | 28,766.58 | 51,165.20 |
| 734,282.95 | 153,225.45 | 887,508.40 |
| (199,062.66) | 199,062.66 | |
| 33,694,225.18 | 8,493,478.91 | 42,187,704.09 |
| (2,678,905.64) | 256,964.56 | (2,421,941.08) |
| 69,169,454.35 | 13,995,845.04 | 83,165,299.39 |
| (81,663.98) | | (81,663.98) |
| 69,087,790.37 | 13,995,845.04 | 83,083,635.41 |
| $ 66,408,884.73 | $ 14,252,809.60 | $ 80,661,694.33 |

***WASHINGTON COUNTY***
***DISTRICT SCHOOL BOARD***
***BALANCE SHEET - GOVERNMENTAL FUNDS***
***June 30, 2014***

| | General Fund | Special Revenue - Other Fund | Special Revenue - Federal Economic Stimulus Fund |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and Cash Equivalents | $ 10,848,245.00 | $ 434.07 | $ |
| Investments | 20,456.25 | | |
| Accounts Receivable | 129,200.38 | | |
| Due from Other Funds | 55,610.63 | | |
| Due from Other Agencies | 138,247.20 | 531,665.69 | |
| **TOTAL ASSETS** | $ 11,191,759.46 | $ 532,099.76 | $ 0.00 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Liabilities: | | | |
| Salaries and Benefits Payable | $ 369,604.92 | $ | $ |
| Payroll Deductions and Withholdings | 232,833.12 | | |
| Accounts Payable | 117,781.53 | 62,511.86 | |
| Construction Contracts Payable | | | |
| Due to Other Funds | 585,402.17 | 468,990.11 | |
| Due to Other Agencies | 2,374.91 | 218.22 | |
| Deposits Payable | 510.00 | | |
| Advanced Revenue | 20,186.47 | 379.57 | |
| **Total Liabilities** | 1,328,693.12 | 532,099.76 | |
| Fund Balances: | | | |
| Nonspendable: | | | |
| Other Not in Spendable Form | 20,456.25 | | |
| Restricted for: | | | |
| State Required Carryover Programs | 3,635,982.21 | | |
| Debt Service | | | |
| Capital Projects | | | |
| Food Service | | | |
| Workforce Development | 1,085,505.47 | | |
| Other Required Carryover Programs | 71,062.04 | | |
| Total Restricted Fund Balance | 4,792,549.72 | | |
| Committed for: | | | |
| Compensated Absences | 2,254,417.50 | | |
| Assigned for: | | | |
| Cost Center and Project Carryovers | 1,510,210.72 | | |
| Environmental Cleanup | 200,000.00 | | |
| Total Assigned Fund Balance | 1,710,210.72 | | |
| Unassigned Fund Balance | 1,085,432.15 | | |
| **Total Fund Balances** | 9,863,066.34 | | |
| **TOTAL LIABILITIES AND FUND BALANCES** | $ 11,191,759.46 | $ 532,099.76 | $ 0.00 |

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

| | Other Governmental Funds | Total Governmental Funds |
|---|---|---|
| | | |
| | $ 1,225,592.05 | $ 12,074,271.12 |
| | 7,951.42 | 28,407.67 |
| | | 129,200.38 |
| | | 55,610.63 |
| | 779.76 | 670,692.65 |
| | $ 1,234,323.23 | $ 12,958,182.45 |
| | | |
| | | |
| | $ | $ 369,604.92 |
| | | 232,833.12 |
| | 2,580.99 | 182,874.38 |
| | 657,124.93 | 657,124.93 |
| | | 1,054,392.28 |
| | | 2,593.13 |
| | | 510.00 |
| | 2,752.80 | 23,318.84 |
| | 662,458.72 | 2,523,251.60 |
| | | |
| | | 20,456.25 |
| | | 3,635,982.21 |
| | 3,415.11 | 3,415.11 |
| | 560,960.14 | 560,960.14 |
| | 7,489.26 | 7,489.26 |
| | | 1,085,505.47 |
| | | 71,062.04 |
| | 571,864.51 | 5,364,414.23 |
| | | 2,254,417.50 |
| | | 1,510,210.72 |
| | | 200,000.00 |
| | | 1,710,210.72 |
| | | 1,085,432.15 |
| | 571,864.51 | 10,434,930.85 |
| | $ 1,234,323.23 | $ 12,958,182.45 |

***WASHINGTON COUNTY***
***DISTRICT SCHOOL BOARD***
***RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET***
***TO THE STATEMENT OF NET POSITION***
***June 30, 2014***

| | | |
|---|---|---|
| **Total Fund Balances - Governmental Funds** | | $ 10,434,930.85 |
| 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. | | 62,710,486.03 |
| 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. | | 1,667,640.67 |
| 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 | $ 130,000.00 | |
| Compensated Absences Payable | 3,721,972.82 | |
| Other Postemployment Benefits Payable | 4,552,200.00 | (8,404,172.82) |
| **Net Position - Governmental Activities** | | $ 66,408,884.73 |

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

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***WASHINGTON COUNTY***
***DISTRICT SCHOOL BOARD***
***STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS***
***For the Fiscal Year Ended June 30, 2014***

| | General Fund | Special Revenue - Other Fund | Special Revenue - Federal Economic Stimulus Fund |
|---|---|---|---|
| **Revenues** | | | |
| Intergovernmental: | | | |
| Federal Direct | $ 130,244.05 | $ 1,100,326.23 | $ |
| Federal Through State and Local | 128,066.03 | 3,117,332.71 | 228,837.52 |
| State | 21,745,282.60 | 45,347.43 | |
| Local: | | | |
| Property Taxes | 5,357,478.03 | | |
| Charges for Services | 1,049,337.05 | | |
| Miscellaneous | 668,502.94 | 327.00 | |
| Total Local Revenues | 7,075,318.02 | 327.00 | |
| **Total Revenues** | 29,078,910.70 | 4,263,333.37 | 228,837.52 |
| **Expenditures** | | | |
| Current - Education: | | | |
| Instruction | 17,794,699.28 | 1,524,004.98 | 27,703.88 |
| Student Personnel Services | 1,170,870.29 | 469,067.07 | |
| Instructional Media Services | 536,709.94 | | |
| Instruction and Curriculum Development Services | 284,763.09 | 57,269.09 | 37.49 |
| Instructional Staff Training Services | 200,490.81 | 707,095.18 | 30,229.54 |
| Instruction Related Technology | 500,655.12 | 1,800.20 | |
| School Board | 473,893.80 | | |
| General Administration | 319,191.57 | 127,384.74 | 3,208.26 |
| School Administration | 2,549,286.87 | | |
| Fiscal Services | 526,236.50 | | |
| Food Services | 3,284.52 | | |
| Central Services | 305,910.09 | | |
| Student Transportation Services | 2,028,061.97 | 3,173.28 | |
| Operation of Plant | 2,062,524.43 | 5,017.15 | |
| Maintenance of Plant | 711,929.16 | | |
| Administrative Technology Services | 386,563.27 | | |
| Community Services | 50,411.82 | 1,108,430.66 | |
| Fixed Capital Outlay: | | | |
| Facilities Acquisition and Construction | 810,248.30 | | 103,059.60 |
| Other Capital Outlay | 604,661.59 | 260,091.02 | 64,598.75 |
| Debt Service: | | | |
| Principal | | | |
| Interest and Fiscal Charges | | | |
| **Total Expenditures** | 31,320,392.42 | 4,263,333.37 | 228,837.52 |
| **Deficiency of Revenues Over Expenditures** | (2,241,481.72) | | |
| **Other Financing Sources (Uses)** | | | |
| Transfers In | 361,458.12 | | |
| Insurance Loss Recoveries | 31,992.86 | | |
| Transfers Out | (307,415.40) | | |
| **Total Other Financing Sources (Uses)** | 86,035.58 | | |
| **Net Change in Fund Balances** | (2,155,446.14) | | |
| Fund Balances, Beginning | 12,100,176.46 | | |
| Adjustment to Fund Balances | (81,663.98) | | |
| **Fund Balances, Beginning as Restated** | 12,018,512.48 | | |
| **Fund Balances, Ending** | $ 9,863,066.34 | $ 0.00 | $ 0.00 |

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

| | Other Governmental Funds | Total Governmental Funds |
|---|---|---|
| | | |
| | | $ 1,230,570.28 |
| | 1,325,714.01 | 4,799,950.27 |
| | 233,777.05 | 22,024,407.08 |
| | 1,331,018.05 | 6,688,496.08 |
| | 174,164.78 | 1,223,501.83 |
| | 2,770.45 | 671,600.39 |
| | 1,507,953.28 | 8,583,598.30 |
| | 3,067,444.34 | 36,638,525.93 |
| | | 19,346,408.14 |
| | | 1,639,937.36 |
| | | 536,709.94 |
| | | 342,069.67 |
| | | 937,815.53 |
| | | 502,455.32 |
| | | 473,893.80 |
| | | 449,784.57 |
| | | 2,549,286.87 |
| | | 526,236.50 |
| | 1,782,852.02 | 1,786,136.54 |
| | | 305,910.09 |
| | | 2,031,235.25 |
| | | 2,067,541.58 |
| | | 711,929.16 |
| | | 386,563.27 |
| | | 1,158,842.48 |
| | 2,159,265.63 | 3,072,573.53 |
| | 1,795.00 | 931,146.36 |
| | 30,000.00 | 30,000.00 |
| | 9,001.08 | 9,001.08 |
| | 3,982,913.73 | 39,795,477.04 |
| | (915,469.39) | (3,156,951.11) |
| | 108,352.74 | 469,810.86 |
| | | 31,992.86 |
| | (361,458.12) | (668,873.52) |
| | (253,105.38) | (167,069.80) |
| | (1,168,574.77) | (3,324,020.91) |
| | 1,740,439.28 | 13,840,615.74 |
| | | (81,663.98) |
| | 1,740,439.28 | 13,758,951.76 |
| | $ 571,864.51 | $ 10,434,930.85 |

***WASHINGTON 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, 2014***

| | | |
|---|---|---|
| **Net Change in Fund Balances - Governmental Funds** | $ | (3,324,020.91) |
| 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 expense in the current fiscal year. | | 1,276,786.49 |
| 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 fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets. | | (35,354.17) |
| 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 of repayments in the current fiscal year. | | 30,000.00 |
| In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal 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 earned in excess of the amount paid in the current fiscal year. | | (194,622.62) |
| 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 increase in the other postemployment benefits liability for the current fiscal year. | | (679,124.00) |
| 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. | | 247,429.57 |
| **Change in Net Position - Governmental Activities** | $ | (2,678,905.64) |

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

***WASHINGTON COUNTY***
***DISTRICT SCHOOL BOARD***
***STATEMENT OF NET POSITION -***
***PROPRIETARY FUNDS***
***June 30, 2014***

| | Business-Type Activities - Enterprise Funds | | | | | |
|---|---|---|---|---|---|---|
| | PAEC - Risk Management Property/Casualty | PAEC - Risk Management Health | PAEC - Programs Other Than Risk Management - Federal Economic Stimulus | PAEC - Programs Other Than Risk Management | Total | Governmental Activities - Internal Service Fund |
| **ASSETS** | | | | | | |
| Current Assets: | | | | | | |
| Cash and Cash Equivalents | $ 16,085,912.44 | $ 5,572,821.66 | $ | $ 1,197,201.32 | $ 22,855,935.42 | $ |
| Investments | 34,847.80 | 4,780.06 | | 5,171.50 | 44,799.36 | |
| Accounts Receivable | 28,500.00 | | | 98,489.63 | 126,989.63 | 42,530.68 |
| Due From Other Funds | | 3,822.56 | 288,944.69 | 346,403.22 | 639,170.47 | 2,075,846.82 |
| Due From Other Agencies | | | | 190,322.52 | 190,322.52 | |
| Due From Excess Insurer | 1,310,357.04 | | | | 1,310,357.04 | 383,930.00 |
| Inventories | | | | 2,358.28 | 2,358.28 | |
| **Total Current Assets** | 17,459,617.28 | 5,581,424.28 | 288,944.69 | 1,839,946.47 | 25,169,932.72 | 2,502,307.50 |
| Noncurrent Assets: | | | | | | |
| Land | | | | 665,380.10 | 665,380.10 | |
| Improvements Other Than Buildings, Net | | | | 159,086.01 | 159,086.01 | |
| Buildings and Fixed Equipment, Net | | | | 936,973.38 | 936,973.38 | |
| Furniture, Fixtures, and Equipment, Net | 2,152.73 | 1,693.71 | 21,697.79 | 233,163.02 | 258,707.25 | |
| Computer Software, Net | | | | 1,294.54 | 1,294.54 | |
| **Total Noncurrent Assets** | 2,152.73 | 1,693.71 | 21,697.79 | 1,995,897.05 | 2,021,441.28 | |
| **TOTAL ASSETS** | 17,461,770.01 | 5,583,117.99 | 310,642.48 | 3,835,843.52 | 27,191,374.00 | 2,502,307.50 |
| **LIABILITIES** | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts Payable | 4,712.09 | | 90,599.14 | 140,037.23 | 235,348.46 | 485,396.83 |
| Due to Other Funds | 5,515.00 | 1,689,507.31 | 8,669.99 | 12,543.34 | 1,716,235.64 | |
| Due to Other Agencies | | 3,838,571.18 | 189,675.56 | 111,122.81 | 4,139,369.55 | |
| Advanced Revenue | | | | 27,442.97 | 27,442.97 | |
| Compensated Absences Payable | | | | 207,426.07 | 207,426.07 | |
| Estimated Insurance Claims Payable | 2,009,343.00 | | | | 2,009,343.00 | 349,270.00 |
| **Total Current Liabilities** | 2,019,570.09 | 5,528,078.49 | 288,944.69 | 498,572.42 | 8,335,165.69 | 834,666.83 |
| Noncurrent Liabilities: | | | | | | |
| Compensated Absences Payable | 75,220.90 | 32,888.19 | | 779,346.62 | 887,455.71 | |
| Estimated Insurance Claims Payable | 3,056,997.00 | | | | 3,056,997.00 | |
| Other Postemployment Benefits Payable | 30,945.52 | 9,157.08 | | 618,843.40 | 658,946.00 | |
| **Total Noncurrent Liabilities** | 3,163,163.42 | 42,045.27 | | 1,398,190.02 | 4,603,398.71 | |
| **TOTAL LIABILITIES** | 5,182,733.51 | 5,570,123.76 | 288,944.69 | 1,896,762.44 | 12,938,564.40 | 834,666.83 |
| **NET POSITION** | | | | | | |
| Net Investment in Capital Assets | 2,152.73 | 1,693.71 | 21,697.79 | 1,995,897.05 | 2,021,441.28 | |
| Unrestricted | 12,276,883.77 | 11,300.52 | | (56,815.97) | 12,231,368.32 | 1,667,640.67 |
| **TOTAL NET POSITION** | $ 12,279,036.50 | $ 12,994.23 | $ 21,697.79 | $ 1,939,081.08 | $ 14,252,809.60 | $ 1,667,640.67 |

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

***WASHINGTON COUNTY***
***DISTRICT SCHOOL BOARD***
***STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS***
***For the Fiscal Year Ended June 30, 2014***

| | Business-Type Activities - Enterprise Funds | | | | | |
|---|---|---|---|---|---|---|
| | PAEC - Risk Management Property/Casualty | PAEC - Risk Management Health | PAEC - Programs Other Than Risk Management - Federal Economic Stimulus | PAEC - Programs Other Than Risk Management | Total | Governmental Activities - Internal Service Fund |
| **OPERATING REVENUES** | | | | | | |
| Charges for Services | $ | $ | $ | $ 1,533,332.78 | $ 1,533,332.78 | $ |
| Charges for Sales | | | | 5,553.05 | 5,553.05 | |
| Premium Revenues | 7,375,938.00 | | | | 7,375,938.00 | 4,612,954.03 |
| Other Operating Revenues | | 115,026.00 | | 175,395.00 | 290,421.00 | |
| **Total Operating Revenues** | 7,375,938.00 | 115,026.00 | | 1,714,280.83 | 9,205,244.83 | 4,612,954.03 |
| **OPERATING EXPENSES** | | | | | | |
| Salaries | 162,789.56 | 76,453.48 | 610,781.11 | 2,746,146.79 | 3,596,170.94 | |
| Employee Benefits | 41,801.28 | 21,526.70 | 145,528.99 | 694,642.73 | 903,499.70 | |
| Purchased Services | 171,757.36 | 8,551.02 | 2,121,857.90 | 2,885,233.23 | 5,187,399.51 | 53,651.42 |
| Energy Services | | | | 43,953.44 | 43,953.44 | |
| Materials and Supplies | 28,702.85 | 24.60 | 23,092.62 | 161,123.65 | 212,943.72 | |
| Capital Outlay | 399.94 | | 799.25 | 44,412.85 | 45,612.04 | |
| Insurance Claims | 2,739,130.68 | | | | 2,739,130.68 | 3,180,177.58 |
| Excess Insurance Premiums | 3,628,701.45 | | | | 3,628,701.45 | 837,424.99 |
| Service Agent Fees | 457,642.00 | | | | 457,642.00 | 296,708.14 |
| Other Expenses | 210.00 | | 169,276.57 | 340,205.19 | 509,691.76 | |
| Depreciation | 739.43 | 321.18 | 10,888.38 | 104,014.30 | 115,963.29 | |
| **Total Operating Expenses** | 7,231,874.55 | 106,876.98 | 3,082,224.82 | 7,019,732.18 | 17,440,708.53 | 4,367,962.13 |
| **Operating Income (Loss)** | 144,063.45 | 8,149.02 | (3,082,224.82) | (5,305,451.35) | (8,235,463.70) | 244,991.90 |
| **NONOPERATING REVENUES (EXPENSES)** | | | | | | |
| Interest Revenue | 26,751.86 | 20.06 | | 1,994.66 | 28,766.58 | 2,437.67 |
| Federal Grants | | | 3,072,772.39 | 4,121,464.72 | 7,194,237.11 | |
| State Grants | | | | 918,101.86 | 918,101.86 | |
| Gifts and Grants | | | | 85.25 | 85.25 | |
| Miscellaneous Local Sources | | | | 153,225.45 | 153,225.45 | |
| Loss on Disposal of Assets | | | | (1,050.65) | (1,050.65) | |
| **Total Nonoperating Revenues** | 26,751.86 | 20.06 | 3,072,772.39 | 5,193,821.29 | 8,293,365.60 | 2,437.67 |
| **Income (Loss) Before Transfers** | 170,815.31 | 8,169.08 | (9,452.43) | (111,630.06) | 57,901.90 | 247,429.57 |
| Transfers In | | | | 199,062.66 | 199,062.66 | |
| **Change in Net Position** | 170,815.31 | 8,169.08 | (9,452.43) | 87,432.60 | 256,964.56 | 247,429.57 |
| Total Net Position - Beginning | 12,108,221.19 | 4,825.15 | 31,150.22 | 1,851,648.48 | 13,995,845.04 | 1,420,211.10 |
| **Total Net Position - Ending** | $ 12,279,036.50 | $ 12,994.23 | $ 21,697.79 | $ 1,939,081.08 | $ 14,252,809.60 | $ 1,667,640.67 |

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

***WASHINGTON COUNTY***
***DISTRICT SCHOOL BOARD***
***STATEMENT OF CASH FLOWS -***
***PROPRIETARY FUNDS***
***For the Fiscal Year Ended June 30, 2014***

| | Business-Type Activities - Enterprise Funds | | | | | |
|---|---|---|---|---|---|---|
| | PAEC - Risk Management Property/Casualty | PAEC - Risk Management Health | PAEC - Programs Other Than Risk Management - Federal Economic Stimulus | PAEC - Programs Other Than Risk Management | Total | Governmental Activities - Internal Service Fund |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | |
| Cash Received from Board Funds and Participants | $ 7,375,938.00 | $ | $ | $ 1,568,916.05 | $ 8,944,854.05 | $ 4,612,954.03 |
| Cash Payments to Suppliers for Goods and Services | (4,382,768.79) | (8,575.62) | (2,315,409.36) | (3,735,170.87) | (10,441,924.64) | (1,090,943.90) |
| Cash Payments to Employees for Services | (200,822.46) | (94,230.19) | (756,310.10) | (3,360,251.75) | (4,411,614.50) | |
| Cash Payments for Insurance Claims | (2,418,152.68) | | | | (2,418,152.68) | (3,091,002.58) |
| Cash Received (Paid) from Other Operating Revenues | (481,998.09) | 558,335.78 | | 175,395.00 | 251,732.69 | (433,445.22) |
| **Net Cash Provided (Used) by Operating Activities** | (107,804.02) | 455,529.97 | (3,071,719.46) | (5,351,111.57) | (8,075,105.08) | (2,437.67) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | | | | | |
| Proceeds from Gifts and Federal and State Grants | | | 3,072,772.39 | 5,192,877.28 | 8,265,649.67 | |
| Transfer from Other Funds | | | | 199,062.66 | 199,062.66 | |
| **Net Cash Provided by Noncapital Financing Activities** | | | 3,072,772.39 | 5,391,939.94 | 8,464,712.33 | |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | | | | | |
| Acquisition and Construction of Capital Assets | (629.00) | (566.99) | (1,435.95) | (146,812.50) | (149,444.44) | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | |
| Proceeds from Sales and Maturity of Investments | 114,907.15 | 15,761.90 | | 17,052.39 | 147,721.44 | |
| Interest Income | 26,751.86 | 20.06 | | 1,994.66 | 28,766.58 | 2,437.67 |
| **Net Cash Provided by Investing Activities** | 141,659.01 | 15,781.96 | | 19,047.05 | 176,488.02 | 2,437.67 |
| **Net Increase (Decrease) in Cash and Cash Equivalents** | 33,225.99 | 470,744.94 | (383.02) | (86,937.08) | 416,650.83 | |
| Cash and Cash Equivalents, Beginning | 16,052,686.45 | 5,102,076.72 | 383.02 | 1,284,138.40 | 22,439,284.59 | |
| **Cash and Cash Equivalents, Ending** | $ 16,085,912.44 | $ 5,572,821.66 | $ 0.00 | $ 1,197,201.32 | $ 22,855,935.42 | $ 0.00 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:** | | | | | | |
| Operating Income (Loss) | $ 144,063.45 | $ 8,149.02 | $ (3,082,224.82) | $ (5,305,451.35) | $ (8,235,463.70) | $ 244,991.90 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | | |
| Depreciation | 739.43 | 321.18 | 10,888.38 | 104,014.30 | 115,963.29 | |
| Changes in Assets and Liabilities: | | | | | | |
| Accounts Receivable | (10,525.16) | | | 70,047.33 | 59,522.17 | (42,530.68) |
| Due from Excess Insurer | (471,472.93) | | | | (471,472.93) | (335,018.00) |
| Due from Other Funds | | (3,822.56) | 643,498.12 | (61,848.31) | 577,827.25 | (55,896.54) |
| Inventories | | | | 464.18 | 464.18 | |
| Due from Other Agencies | | 563,739.78 | | 21,028.40 | 584,768.18 | |
| Accounts Payable | (72,116.37) | | (512,536.35) | (246,233.46) | (830,886.18) | 96,840.65 |
| Compensated Absences Payable | (21.57) | 2,019.14 | | 1,106.57 | 3,104.14 | |
| Other Postemployment Benefits Payable | 3,789.95 | 1,730.85 | | 79,431.20 | 84,952.00 | |
| Due to Other Funds | (21,623.90) | (330,442.97) | (6,514.19) | 7,917.76 | (350,663.30) | |
| Due to Other Agencies | (1,614.92) | 213,835.53 | (124,830.60) | (22,390.99) | 64,999.02 | |
| Advanced Revenue | | | | 802.80 | 802.80 | |
| Estimated Insurance Claims Payable | 320,978.00 | | | | 320,978.00 | 89,175.00 |
| **Total Adjustments** | (251,867.47) | 447,380.95 | 10,505.36 | (45,660.22) | 160,358.62 | (247,429.57) |
| **Net Cash Provided (Used) by Operating Activities** | $ (107,804.02) | $ 455,529.97 | $ (3,071,719.46) | $ (5,351,111.57) | $ (8,075,105.08) | $ (2,437.67) |

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

## *WASHINGTON COUNTY*
## *DISTRICT SCHOOL BOARD*
## *STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - FIDUCIARY FUNDS*
## *June 30, 2014*

| | | Agency Funds |
|---|---|---|
| **ASSETS** | | |
| Cash and Cash Equivalents | $ | 738,233.00 |
| Investments | | 39,313.00 |
| Inventories | | 12,102.00 |
| **TOTAL ASSETS** | $ | 789,648.00 |
| **LIABILITIES** | | |
| Accounts Payable | $ | 11,473.00 |
| Internal Accounts Payable | | 778,175.00 |
| **TOTAL LIABILITIES** | $ | 789,648.00 |

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

**WASHINGTON COUNTY**
**DISTRICT SCHOOL BOARD**
**NOTES TO FINANCIAL STATEMENTS**
**JUNE 30, 2014**

## 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 Washington County School District (District). All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external customers for support.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities and for each segment of the business-type 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 student transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

### B. Reporting Entity

The Washington 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. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Washington 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. Based on these criteria, no component units are included within the District's reporting entity.

### 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, while business-type activities incorporate data from the government's enterprise funds. Separate financial

**WASHINGTON COUNTY**
**DISTRICT SCHOOL BOARD**
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**JUNE 30, 2014**

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, and net residual amounts between governmental and business-type activities.

**D. Basis of Presentation: Fund Financial Statements**

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise 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 and State 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).

The District reports the following major enterprise funds:

- Panhandle Area Educational Consortium (PAEC) – Risk Management Property/Casualty Fund – to account for the financial resources of the property/casualty public entity risk pool for which the District is fiscal agent.
- PAEC – Risk Management Health Fund – to account for the operating activities of the administration of the group health consortium for which the District is fiscal agent.
- PAEC – Programs Other Than Risk Management– Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to ARRA received by the PAEC.
- PAEC – Programs Other Than Risk Management Fund – to account for the financing of the PAEC for which the District is fiscal agent.

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

- Internal Service Fund – to account for the District's employee health self-insurance 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 fiscal 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

**WASHINGTON COUNTY**
**DISTRICT SCHOOL BOARD**
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**JUNE 30, 2014**

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. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

## 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 60 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 60 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.

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The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

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

**1. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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 SBA debt service accounts for investment of debt service moneys and 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. These 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 1.84438408 at June 30, 2014. 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.

Types and amounts of investments held at fiscal year-end are described in a subsequent note.

**3. Inventories**

Inventories reported in the enterprise funds are held for resale at the PAEC. These inventories are stated at cost or approximate cost, determined on the first-in, first-out basis.

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## 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 $500. 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. Generally, buildings acquired or constructed prior to July 1, 1989, and improvements other than buildings acquired prior to August 19, 1988, are stated at estimated historical cost using price levels at the time of acquisition and, as a result, $7,288,692.87 of the stated buildings value, and $153,508.12 of the stated improvements other than buildings value, are based on these estimates.

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

| Description | Estimated Lives |
|---|---|
| Improvements Other Than Buildings | 10 - 35 years |
| Buildings and Fixed Equipment | 10 - 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.

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 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.

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**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. The Board approved to commit a portion of the General Fund fund balance to be used specifically for the payment of compensated absences. On May 19, 2011, the Board committed a portion of the General Fund fund balance for cost center and project carryovers, environmental cleanup, and compensated absences. On June 30, 2014, the Board took action to change the commitments for cost center and project carryovers and environmental cleanup to assigned fund balances.

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 resolution authorized the finance director to assign 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. 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 assigned fund balances for the cost center and project carryovers and environmental cleanup.

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## 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 or business segment 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. SBE 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.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Public Education Capital Outlay funds as advanced revenue until such time as an encumbrance authorization is received.

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

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**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 Washington County Property Appraiser, and property taxes are collected by the Washington County Tax Collector.

The Board adopted the 2013 tax levy on September 9, 2013. 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 Washington 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. 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.

**5. 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.

**6. 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 and expenses of the PAEC – Risk Management Property/Casualty Fund are premium revenues and

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expenses which include insurance claims, excess insurance premiums, and service agent fees. The principal operating revenues for the PAEC – Risk Management Health Fund are participating district assessments. The operating expenses include salaries and benefits in connection with the administration of the group health consortium. Operating expenses of the PAEC – Programs Other Than Risk Management – Federal Economic Stimulus Fund are primarily for contracted services. The operating revenues and expenses of the PAEC – Other Than Risk Management Fund result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations and Board participant fees. The primary operating revenues of the District's internal service funds are charges for employee health insurance premiums. Operating expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

## II. PRIOR PERIOD ADJUSTMENTS

Pursuant to Section 216.301(1)(b), Florida Statutes, the Florida Department of Education required the District to revert to the State undisbursed funds appropriated in the 2000-01 and 2001-02 fiscal years for the Teacher Recruitment and Retention Programs of $13,043.41 and $68,620.57, respectively. As a result, the District reported an adjustment, totaling $81,663.98, to beginning fund balance of the General Fund on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds and beginning net position for governmental activities on the Statement of Activities.

## III. 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 the District. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

### B. Investments

As of June 30, 2014, the District had the following investments and maturities:

| Investments | Maturities | Fair Value |
|---|---|---|
| SBA: | | |
| Florida PRIME (1) | 40 Day Average | $ 32,258,108.83 |
| Fund B | 2.86 Year Average | 69,791.92 |
| Debt Service Accounts | 6 Months | 3,415.11 |
| Total Investments | | $ 32,331,315.86 |

Note: (1) This investment is reported as a cash equivalent for financial statement reporting purposes.

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- 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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

  Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 2014. 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 WAL, based on expected future cash flows, of Fund B at June 30, 2014, is estimated at 2.86 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 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 limits investments to bids from qualified depositories, financial deposit instruments insured by the Federal Deposit Insurance Corporation, time deposits, securities of the United States Government including obligations of the United States Treasury, and investment pools managed and directed by an approved agency of the state.

  The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE 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.

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## C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| GOVERNMENTAL ACTIVITIES | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | $ 1,923,833.40 | $ | $ | $ 1,923,833.40 |
| Land Improvements | 65,781.00 | | | 65,781.00 |
| Construction in Progress | 342,441.92 | 2,553,525.32 | 96,500.00 | 2,799,467.24 |
| Total Capital Assets Not Being Depreciated | 2,332,056.32 | 2,553,525.32 | 96,500.00 | 4,789,081.64 |
| Capital Assets Being Depreciated: | | | | |
| Improvements Other Than Buildings | 2,219,021.72 | 155,940.00 | | 2,374,961.72 |
| Buildings and Fixed Equipment | 72,906,773.59 | 344,201.21 | 150,210.98 | 73,100,763.82 |
| Furniture, Fixtures, and Equipment | 8,382,562.77 | 886,785.18 | 440,052.76 | 8,829,295.19 |
| Motor Vehicles | 6,293,395.59 | 164,770.00 | | 6,458,165.59 |
| Audio Visual Materials and Computer Software | 450,730.89 | 3,785.98 | 15,000.67 | 439,516.20 |
| Total Capital Assets Being Depreciated | 90,252,484.56 | 1,555,482.37 | 605,264.41 | 91,202,702.52 |
| Less Accumulated Depreciation for: | | | | |
| Improvements Other Than Buildings | 868,825.30 | 113,171.06 | | 981,996.36 |
| Buildings and Fixed Equipment | 19,331,972.96 | 1,528,573.82 | 134,517.81 | 20,726,028.97 |
| Furniture, Fixtures, and Equipment | 6,682,197.14 | 616,622.83 | 420,391.76 | 6,878,428.21 |
| Motor Vehicles | 3,835,291.32 | 461,352.38 | | 4,296,643.70 |
| Audio Visual Materials and Computer Software | 397,200.45 | 16,001.11 | 15,000.67 | 398,200.89 |
| Total Accumulated Depreciation | 31,115,487.17 | 2,735,721.20 | 569,910.24 | 33,281,298.13 |
| Total Capital Assets Being Depreciated, Net | 59,136,997.39 | (1,180,238.83) | 35,354.17 | 57,921,404.39 |
| Governmental Activities Capital Assets, Net | $ 61,469,053.71 | $ 1,373,286.49 | $ 131,854.17 | $ 62,710,486.03 |

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| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| BUSINESS-TYPE ACTIVITIES | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | $ 665,380.10 | $ | $ | $ 665,380.10 |
| Capital Assets Being Depreciated: | | | | |
| Improvements Other Than Buildings | 321,947.43 | | | 321,947.43 |
| Buildings and Fixed Equipment | 1,123,919.70 | | | 1,123,919.70 |
| Furniture, Fixtures, and Equipment | 2,334,620.75 | 149,444.44 | 35,366.71 | 2,448,698.48 |
| Audio Visual Materials and Computer Software | 93,813.34 | | 1,360.00 | 92,453.34 |
| Total Capital Assets Being Depreciated | 3,874,301.22 | 149,444.44 | 36,726.71 | 3,987,018.95 |
| Less Accumulated Depreciation for: | | | | |
| Improvements Other Than Buildings | 149,232.04 | 13,629.38 | | 162,861.42 |
| Buildings and Fixed Equipment | 164,189.28 | 22,757.04 | | 186,946.32 |
| Furniture, Fixtures, and Equipment | 2,146,076.30 | 78,230.99 | 34,316.06 | 2,189,991.23 |
| Audio Visual Materials and Computer Software | 91,172.92 | 1,345.88 | 1,360.00 | 91,158.80 |
| Total Accumulated Depreciation | 2,550,670.54 | 115,963.29 | 35,676.06 | 2,630,957.77 |
| Total Capital Assets Being Depreciated, Net | 1,323,630.68 | 33,481.15 | 1,050.65 | 1,356,061.18 |
| Business-Type Activities Capital Assets, Net | $ 1,989,010.78 | $ 33,481.15 | $ 1,050.65 | $ 2,021,441.28 |

Depreciation expense was charged to functions as follows:

| Function | Amount |
|---|---|
| GOVERNMENTAL ACTIVITIES | |
| Student Transportation Services | $ 435,467.90 |
| Unallocated | 2,300,253.30 |
| Total Depreciation Expense - Governmental Activities | $ 2,735,721.20 |
| BUSINESS-TYPE ACTIVITIES | |
| PAEC - Risk Management Property/Casualty | $ 739.43 |
| PAEC - Risk Management Health | 321.18 |
| PAEC - Programs Other Than Risk Management - Federal Economic Stimulus | 10,888.38 |
| PAEC - Programs Other Than Risk Management | 104,014.30 |
| Total Depreciation Expense - Business-Type Activities | $ 115,963.29 |

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**D. 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.

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.

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The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

| Class | Percent of Gross Salary | |
|---|---|---|
| | Employee | Employer (A) |
| FRS, Regular | 3.00 | 6.95 |
| FRS, Elected County Officers | 3.00 | 33.03 |
| DROP - Applicable to Members from All of the Above Classes | 0.00 | 12.84 |
| FRS, Reemployed Retiree | (B) | (B) |

Notes: (A) Employer rates include 1.20 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, 2012, June 30, 2013, and June 30, 2014, totaled $1,675,116.63, $1,681,934.02, and $2,292,714.04, respectively, which were equal to the required contributions for each fiscal year.

There were 63 District participants in the Investment Plan during the 2013-14 fiscal year. The District's contributions including employee contributions to the Investment Plan totaled $182,253.77, which was equal to the required contribution for the 2013-14 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, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850)413-5511; or at the Department's Web site (www.myfloridacfo.com). 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, Research and Education Section, by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877)377-1737 or (850)488-5706; by e-mail at rep@dms.myflorida.com; or at the Division's Web site (www.frs.myflorida.com).

## 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 self-insured health and hospitalization plan for medical and prescription drug 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

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for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. 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 other entity.

**Funding Policy**. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and 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 2013-14 fiscal year, 223 retirees received other postemployment benefits. The District provided required contributions of $687,940 toward the annual OPEB cost, net of retiree contributions totaling $976,552.06, which represents 5.48 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) | $ 610,799 |
| Amortization of Unfunded Actuarial Accrued Liability | 854,387 |
| Annual Required Contribution | 1,465,186 |
| Interest on Net OPEB Obligation | 157,871 |
| Adjustment to Annual Required Contribution | (171,041) |
| Annual OPEB Cost (Expense) | 1,452,016 |
| Contribution Toward the OPEB Cost | (687,940) |
| Change in Net OPEB Obligation | 764,076 |
| Net OPEB Obligation, Beginning of Year | 4,447,070 |
| Net OPEB Obligation, End of Year | $ 5,211,146 |

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**JUNE 30, 2014**

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, 2014, and the two preceding fiscal years, were as follows:

| Fiscal Year | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 2011-12 | $ 1,879,609 | 44.60% | $ 3,731,963 |
| 2012-13 | 1,390,390 | 48.57% | 4,447,070 |
| 2013-14 | 1,452,016 | 47.38% | 5,211,146 |

**Funded Status and Funding Progress**. As of October 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was $21,081,563, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $21,081,563 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $17,815,524, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 118.33 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 October 1, 2012, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2014, and to estimate the District's 2013-14 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.55 percent 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 3.55 percent per year, projected salary increases of 4 to 8.25 percent, and an annual healthcare cost trend rate of 8.5 percent initially beginning October 2013, reduced to an ultimate rate of 5.435 percent beginning October 2030. The investment rate of return and projected salary increases rate include a general price inflation of 3 percent. The unfunded actuarial accrued liability is being

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**JUNE 30, 2014**

amortized as a level percentage of projected payroll on a closed basis over a 30-year period. The remaining amortization period at June 30, 2014, was 24 years.

## F. Construction and 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, 2014:

| Major Governmental Funds | | | |
|---|---|---|---|
| General | Special Revenue - Other | Nonmajor Governmental Funds | Total Governmental Funds |
| $ 725,487.01 | $ 35,152.75 | $ 559,392.30 | $ 1,320,032.06 |

| Major Enterprise Funds | | | |
|---|---|---|---|
| PAEC - Risk Management Property/ Casualty | PAEC - Programs Other Than Risk Management - Federal Economic Stimulus | PAEC - Programs Other Than Risk Management | Total Enterprise Funds |
| $ 4,696.45 | $ 773,077.68 | $ 166,965.44 | $ 944,739.57 |

**Construction Contracts**. Encumbrances include the following major construction contract commitments at fiscal year-end:

| Project | Contract Amount | Completed to Date | Balance Committed |
|---|---|---|---|
| Vernon Elementary School: | | | |
| Architect | $ 174,350.00 | $ 163,580.00 | $ 10,770.00 |
| Contractor | 1,518,565.81 | 1,239,949.58 | 278,616.23 |
| Direct Purchases Orders | 391,806.19 | 305,631.90 | 86,174.29 |
| Kate Smith Elementary School: | | | |
| Architect | 1,586,000.00 | 872,300.00 | 713,700.00 |
| Total | $ 3,670,722.00 | $ 2,581,461.48 | $ 1,089,260.52 |

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**JUNE 30, 2014**

## G. 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. The Washington County District School Board is a member of the PAEC – Risk Management Consortium (RMC) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, employee dishonesty, equipment breakdown, and other coverage deemed necessary by the members of the PAEC - RMC. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The PAEC – RMC is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the PAEC - RMC is composed of superintendents of all participating districts. The District serves as fiscal agent for the PAEC – RMC. Activities related to the PAEC – RMC Property/Casualty Program are included in the business-type activities on the financial statements and in note III.H.

The District also participates in an employee group health insurance program administered through the PAEC – RMC Health Program (Program). Premiums charged to the districts are based on each individual district's claims experience, and the program operates as an individually-funded plan by each participating district with shared administrative costs and a pooling of plan assets for working capital. Ultimate liability for claims remains with respective districts and, accordingly, the insurance risks are not transferred. Each participating district is responsible for any deficit in its account and for payment of any pending claim should the district withdraw from the Program. Activities related to the District's group health self-insurance program are included in the internal service fund on the financial statements, while activities related to the other participating districts are included in the business-type activities.

A liability in the amount of $349,270 was actuarially determined to cover estimated incurred, but not reported, District health insurance claims payable at June 30, 2014. The actuarial basis used for estimating the liability for unpaid claims of the District's health plan was a combination of the development method and the claims projection method. Under the development method, the historical claim data was recorded by incurred month and paid month. The resulting loss development pattern (as claims mature) was to estimate the future development of existing claims as of the valuation (accounting) date on June 30, 2014. The claim projection method used historical claim experience to estimate the ultimate level of incurred claims in a specific incurral month. This incurred claim estimate was utilized to estimate a claims reserve. The claims development method was used to estimate the incurred but unpaid claims liability for all incurral months prior to May 2014. The claim projection method was used to estimate the level of incurred but unpaid claims for the incurral months of May 2014 and June 2014. However, to be conservative, a 10 percent increase to the incurred but not paid (IBNP) reserve amount has been added to provide a margin for experience less favorable than expected. The paid claims data has not been adjusted for any excess recoveries, which would otherwise tend to overstate the IBNP reserves. In this instance, the effect is not significant and adds a slight amount of conservatism.

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Because of the relatively short payment pattern of the claims, there was no discounting for present value other than that inherent in the claims data.

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

| Fiscal Year | Beginning-of-Fiscal-Year Liability | Current-Year Claims and Changes in Estimates | Claims Payments | Balance at Fiscal Year-End |
|---|---|---|---|---|
| 2012-13 | $ 455,291 | $ 3,208,169 | $ (3,403,365) | $ 260,095 |
| 2013-14 | 260,095 | 3,180,178 | (3,091,003) | 349,270 |

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

## H. Public Entity Risk Pool

The following is a summary of financial information as reported in the enterprise funds for the 2013-14 fiscal year:

### 1. Description of the Fund

The PAEC – RMC, a public entity risk pool, was organized in 1981 to provide a program of property and casualty insurance coverage for its member school districts. The PAEC – RMC members currently include 11 school districts. Annual assessments are based on previous years' experience. The school districts' assessments are based on the assessment formula developed by the participating school districts.

### 2. Summary of Significant Accounting Policies

- Estimated Insurance Claims Payable. The liabilities are actuarially determined, based on the estimated ultimate cost of settling all claims, both those reported and unreported, including the effects of inflation and other societal and economic factors.
- Excess Insurance. The PAEC – RMC 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. For the year ended June 30, 2014, the risk pool established a loss fund of $4,200,000, assessed premiums to fund $3,600,000 of the loss fund, and purchased specific excess insurance which provides layers of protection per individual and/or occurrence by coverage. In addition, the risk pool purchased aggregate excess insurance which provides up to $1,000,000 coverage if the aggregate net losses exceed the loss fund. The pool does not cede reinsurance. The pool paid excess insurance premiums for the year ended June 30, 2014, in the amount of $3,628,701.45. The amount of $151,729 of excess insurance recoverable on unpaid claims was deducted from the liability for unpaid claims at June 30, 2014.
- Settled Claims. Settled claims resulting from the risks described above have not exceeded commercial insurance for the past three fiscal years.

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- Investment Income. Investment income is not included herein.
- Liabilities. Liabilities for unpaid claims adjustment expenses were not discounted in the 2012-13 and 2013-14 fiscal years.

### 3. Estimated Insurance Claims Payable

The following schedule represents the changes in claims liability for the past two years for the PAEC-RMC's Property/Casualty Program:

| | Reconciliation of Claims Liability | |
|---|---|---|
| | 2012-13 | 2013-14 |
| Estimated Unpaid Claims Liability at Beginning of Year | $ 4,920,304 | $ 4,745,362 |
| Incurred Claims and Claims Adjustment Expenses: | | |
| Provisions for Insured Events of the Current Year | 2,920,000 | 3,080,000 |
| Decrease in Provision for Events in Prior Years | (789,141) | (340,869) |
| Total Insurance Claims Expenses | 2,130,859 | 2,739,131 |
| Payments: | | |
| Claims and Claims Adjustment Expenses Attributable to Insured Events of the Current Year | 838,114 | 868,715 |
| Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years | 1,467,687 | 1,549,438 |
| Total Insurance Claims Payments | 2,305,801 | 2,418,153 |
| Estimated Unpaid Claims Liability at End of Year | $ 4,745,362 | $ 5,066,340 |

## I. Long-Term Liabilities

### 1. Bonds Payable

Bonds payable at June 30, 2014, are as follows:

| Bond Type | Amount Outstanding | Interest Rate (Percent) | Annual Maturity To |
|---|---|---|---|
| State School Bonds: | | | |
| Series 2005B, Refunding | $ 130,000 | 5 | 2018 |

These bonds are issued by the SBE on behalf of the District to finance capital outlay projects 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

WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

| Fiscal Year Ending June 30 | Total | Principal | Interest |
|---|---|---|---|
| State School Bonds: | | | |
| 2015 | $ 36,500 | $ 30,000 | $ 6,500 |
| 2016 | 35,000 | 30,000 | 5,000 |
| 2017 | 38,500 | 35,000 | 3,500 |
| 2018 | 36,750 | 35,000 | 1,750 |
| Total State School Bonds | $ 146,750 | $ 130,000 | $ 16,750 |

## 2. 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 | | | | | |
| Bonds Payable | $ 160,000.00 | $ | $ 30,000.00 | $ 130,000.00 | $ 30,000.00 |
| Compensated Absences Payable | 3,527,350.20 | 441,302.30 | 246,679.68 | 3,721,972.82 | 393,733.08 |
| Other Postemployment Benefits Payable | 3,873,076.00 | 1,327,309.00 | 648,185.00 | 4,552,200.00 | |
| Total Governmental Activities | $ 7,560,426.20 | $ 1,768,611.30 | $ 924,864.68 | $ 8,404,172.82 | $ 423,733.08 |
| BUSINESS-TYPE ACTIVITIES | | | | | |
| Estimated Insurance Claims Payable | $ 4,745,362.00 | $ 2,739,130.68 | $ 2,418,152.68 | $ 5,066,340.00 | $ 2,009,343.00 |
| Compensated Absences Payable | 1,091,777.64 | 128,586.04 | 125,481.90 | 1,094,881.78 | 207,426.07 |
| Other Postemployment Benefits Payable | 573,994.00 | 124,707.00 | 39,755.00 | 658,946.00 | |
| Total Business-Type Activities | $ 6,411,133.64 | $ 2,992,423.72 | $ 2,583,389.58 | $ 6,820,167.78 | $ 2,216,769.07 |

For the governmental activities, compensated absences 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 note I. Due to the nature of the liability there is no amount of other postemployment benefits due in one year.

## J. 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

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**JUNE 30, 2014**

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.

## K. Interfund Receivables and Payables

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

| Funds | Interfund Receivables | Interfund Payables |
|---|---|---|
| Major: | | |
| General | $ 55,610.63 | $ 585,402.17 |
| Special Revenue: | | |
| Other | | 468,990.11 |
| Enterprise: | | |
| PAEC - Risk Management Property/Casualty | | 5,515.00 |
| PAEC - Risk Management Health | 3,822.56 | 1,689,507.31 |
| PAEC - Programs Other Than Risk Management - Federal Economic Stimulus | 288,944.69 | 8,669.99 |
| PAEC - Programs Other Than Risk Management | 346,403.22 | 12,543.34 |
| Internal Service: | | |
| Washington County - Risk Management Health | 2,075,846.82 | |
| Total | $ 2,770,627.92 | $ 2,770,627.92 |

Interfund receivables and payables are recorded to reflect fees, reimbursements, and advances owed by one fund to another as of June 30, 2014. These amounts are expected to be repaid within one year.

**WASHINGTON COUNTY**
**DISTRICT SCHOOL BOARD**
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**JUNE 30, 2014**

## L. Revenues and Expenditures/Expenses

### 1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2013-14 fiscal year:

| Source | Amount |
|---|---|
| Governmental Funds: | |
| Florida Education Finance Program | $ 14,484,200.00 |
| Categorical Educational Program - Class Size Reduction | 3,385,383.00 |
| Workforce Development Program | 3,114,016.00 |
| Adults with Disabilities | 142,197.37 |
| Motor Vehicle License Tax (Capital Outlay and Debt Service) | 131,930.00 |
| Performance-Based Incentives - Workforce | 88,691.00 |
| Gross Receipts Tax (Public Education Capital Outlay) | 78,821.00 |
| School Recognition | 37,904.00 |
| Discretionary Lottery Funds | 30,421.00 |
| Miscellaneous | 530,843.71 |
| Subtotal - Governmental | 22,024,407.08 |
| Enterprise Funds: | |
| Regional Educational Consortium Services | 578,156.00 |
| Grants and Aid - Instructional Materials | 300,000.00 |
| Miscellaneous | 39,945.86 |
| Subtotal - Enterprise | 918,101.86 |
| Total | $ 22,942,508.94 |

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 2013 tax roll for the 2013-14 fiscal year:

| | Millages | Taxes Levied |
|---|---|---|
| GENERAL FUND | | |
| Nonvoted School Tax: | | |
| Required Local Effort | 5.290 | $ 4,865,565.07 |
| Basic Discretionary Local Effort | 0.748 | 688,025.66 |
| CAPITAL PROJECTS FUNDS | | |
| Nonvoted Tax: | | |
| Local Capital Improvements | 1.500 | 1,379,655.22 |
| Total | 7.538 | $ 6,933,245.95 |

**WASHINGTON COUNTY**
**DISTRICT SCHOOL BOARD**
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**
**JUNE 30, 2014**

### M. Interfund Transfers

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

| Funds | Interfund | |
|---|---|---|
| | Transfers In | Transfers Out |
| Major: | | |
| General | $ 361,458.12 | $ 307,415.40 |
| Enterprise: | | |
| PAEC - Programs Other Than Risk Management | 199,062.66 | |
| Nonmajor Governmental | 108,352.74 | 361,458.12 |
| Total | $ 668,873.52 | $ 668,873.52 |

Transfers to the General Fund were for reimbursement of maintenance, renovation, operating lease expenditures, and insurance premiums. Transfers to the enterprise fund were for costs associated with the fiscal agent agreement. Transfers to the nonmajor governmental funds were to cover expenditures in the food service fund.

## IV. CONSORTIUMS

The District is a member of, and the fiscal agent for, the PAEC. The PAEC was established pursuant to Sections 1001.42(4)(j), 1001.42(12), and 1001.451, Florida Statutes, creating a Regional Consortium Service Organization for acquisition of materials, supplies, equipment, contracted services, and participation in programs and projects. Each school district has the option of participating in any or all of the services through agreements with the PAEC. The member associations are the PAEC – RMC, the Gateway/PAEC Educational Computing Consultants Project, and the Gateway Student Systems Consortium. The PAEC associations were joined together to function as supporting units to the PAEC. Financial information applicable to the PAEC is included in the business-type activities of the financial statements.

## V. SUBSEQUENT EVENT

Pursuant to Section 1013.64, Florida Statutes, the District received special allocation in the 2014-15 fiscal year for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund – Special Facility Construction account. As a condition for receiving these funds, other construction funding must be pledged for the project, including the capital outlay millage levied pursuant to Section 1011.71(2), Florida Statutes, for the following three fiscal years. During the three-year period, reductions to the special allocations are made to the extent of collections from the required pledged sources. On August 6, 2014, the Board received the first of three Public Education Capital Outlay Special Facilities encumbrance authorizations in the amount of $9,226,362, and as of March 11, 2015, the District has received $2,141,167 of these funds. The funding will be used for the construction of the new Kate Smith Elementary School.

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# OTHER REQUIRED SUPPLEMENTARY INFORMATION

***WASHINGTON COUNTY***
***DISTRICT SCHOOL BOARD***
***REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -***
***GENERAL AND MAJOR SPECIAL REVENUE FUNDS***
***For the Fiscal Year Ended June 30, 2014***

| | General Fund | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance with Final Budget - Positive (Negative) |
| **Revenues** | | | | |
| Intergovernmental: | | | | |
| Federal Direct | $ 125,926.00 | $ 130,244.05 | $ 130,244.05 | $ |
| Federal Through State and Local | 72,941.69 | 128,066.03 | 128,066.03 | |
| State | 22,419,523.48 | 21,745,282.60 | 21,745,282.60 | |
| Local: | | | | |
| Property Taxes | 5,307,133.00 | 5,357,478.03 | 5,357,478.03 | |
| Charges for Services | 858,206.85 | 954,515.89 | 1,049,337.05 | 94,821.16 |
| Miscellaneous | 318,162.97 | 763,324.10 | 668,502.94 | (94,821.16) |
| Total Local Revenues | 6,483,502.82 | 7,075,318.02 | 7,075,318.02 | |
| **Total Revenues** | 29,101,893.99 | 29,078,910.70 | 29,078,910.70 | |
| **Expenditures** | | | | |
| Current - Education: | | | | |
| Instruction | 24,277,038.67 | 23,523,160.30 | 17,794,699.28 | 5,728,461.02 |
| Student Personnel Services | 1,020,777.07 | 1,242,524.41 | 1,170,870.29 | 71,654.12 |
| Instructional Media Services | 566,794.16 | 592,352.18 | 536,709.94 | 55,642.24 |
| Instruction and Curriculum Development Services | 323,886.79 | 310,715.57 | 284,763.09 | 25,952.48 |
| Instructional Staff Training Services | 225,078.66 | 230,237.54 | 200,490.81 | 29,746.73 |
| Instruction Related Technology | 659,655.21 | 725,826.64 | 500,655.12 | 225,171.52 |
| School Board | 490,198.00 | 476,299.05 | 473,893.80 | 2,405.25 |
| General Administration | 617,449.76 | 571,417.28 | 319,191.57 | 252,225.71 |
| School Administration | 2,506,768.94 | 2,634,335.45 | 2,549,286.87 | 85,048.58 |
| Facilities Acquisition and Construction | 459,853.35 | 36,216.77 | | 36,216.77 |
| Fiscal Services | 524,851.00 | 545,354.34 | 526,236.50 | 19,117.84 |
| Food Services | | 3,284.52 | 3,284.52 | |
| Central Services | 471,771.74 | 357,530.66 | 305,910.09 | 51,620.57 |
| Student Transportation Services | 2,133,822.87 | 2,085,035.65 | 2,028,061.97 | 56,973.68 |
| Operation of Plant | 2,084,664.93 | 2,175,264.49 | 2,062,524.43 | 112,740.06 |
| Maintenance of Plant | 958,529.40 | 937,421.64 | 711,929.16 | 225,492.48 |
| Administrative Technology Services | 162,688.00 | 454,338.14 | 386,563.27 | 67,774.87 |
| Community Services | 102,078.80 | 132,304.90 | 50,411.82 | 81,893.08 |
| Fixed Capital Outlay: | | | | |
| Facilities Acquisition and Construction | | 810,248.30 | 810,248.30 | |
| Other Capital Outlay | | 604,661.59 | 604,661.59 | |
| **Total Expenditures** | 37,585,907.35 | 38,448,529.42 | 31,320,392.42 | 7,128,137.00 |
| **Deficiency of Revenues Over Expenditures** | (8,484,013.36) | (9,369,618.72) | (2,241,481.72) | 7,128,137.00 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers In | 361,458.12 | 361,458.12 | 361,458.12 | |
| Insurance Loss Recoveries | 5,261.60 | 31,992.86 | 31,992.86 | |
| Transfers Out | (62,000.00) | (307,415.40) | (307,415.40) | |
| **Total Other Financing Sources** | 304,719.72 | 86,035.58 | 86,035.58 | |
| **Net Change in Fund Balances** | (8,179,293.64) | (9,283,583.14) | (2,155,446.14) | 7,128,137.00 |
| Fund Balances, Beginning | 12,100,176.46 | 12,100,176.46 | 12,100,176.46 | |
| Adjustment to Fund Balances | | (81,663.98) | (81,663.98) | |
| **Fund Balances, Beginning as Restated** | 12,100,176.46 | 12,018,512.48 | 12,018,512.48 | |
| **Fund Balances, Ending** | $ 3,920,882.82 | $ 2,734,929.34 | $ 9,863,066.34 | $ 7,128,137.00 |

| 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) |
| $ 65,808.80 | $ 1,100,326.23 | $ 1,100,326.23 | $ | $ | $ | $ | $ |
| 2,393,192.30 | 3,117,332.71 | 3,117,332.71 | | 161,590.32 | 228,837.52 | 228,837.52 | |
| 245.00 | 45,347.43 | 45,347.43 | | | | | |
| | 327.00 | 327.00 | | | | | |
| | 327.00 | 327.00 | | | | | |
| 2,459,246.10 | 4,263,333.37 | 4,263,333.37 | | 161,590.32 | 228,837.52 | 228,837.52 | |
| 1,590,376.87 | 2,188,244.92 | 1,524,004.98 | 664,239.94 | 67,550.01 | 27,703.88 | 27,703.88 | |
| 477,770.70 | 620,719.82 | 469,067.07 | 151,652.75 | | | | |
| 34,655.32 | 80,524.41 | 57,269.09 | 23,255.32 | | 37.83 | 37.49 | 0.34 |
| 149,400.91 | 914,675.82 | 707,095.18 | 207,580.64 | 35,735.08 | 40,211.49 | 30,229.54 | 9,981.95 |
| | 3,017.40 | 1,800.20 | 1,217.20 | | | | |
| 60,718.70 | 60,718.70 | | 60,718.70 | | | | |
| 75,379.01 | 163,241.39 | 127,384.74 | 35,856.65 | 49,513.76 | 3,335.43 | 3,208.26 | 127.17 |
| | | | | 8,791.47 | | | |
| 1,300.00 | 6,523.28 | 3,173.28 | 3,350.00 | | | | |
| 3,835.79 | 5,022.94 | 5,017.15 | 5.79 | | | | |
| 65,808.80 | 1,110,427.01 | 1,108,430.66 | 1,996.35 | | | | |
| | | | | | 103,059.60 | 103,059.60 | |
| | 260,091.02 | 260,091.02 | | | 64,598.75 | 64,598.75 | |
| 2,459,246.10 | 5,413,206.71 | 4,263,333.37 | 1,149,873.34 | 161,590.32 | 238,946.98 | 228,837.52 | 10,109.46 |
| | (1,149,873.34) | | 1,149,873.34 | | (10,109.46) | | 10,109.46 |
| | (1,149,873.34) | | 1,149,873.34 | | (10,109.46) | | 10,109.46 |
| $ 0.00 | $ (1,149,873.34) | $ 0.00 | $ 1,149,873.34 | $ 0.00 | $ (10,109.46) | $ 0.00 | $ 10,109.46 |

***WASHINGTON 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] |
|---|---|---|---|---|---|---|
| October 1, 2007 | $ 0 | $ 23,055,432 | $ 23,055,432 | 0.0% | $ 19,813,662 | 116.36% |
| October 1, 2010 | 0 | 26,269,544 | 26,269,544 | 0.0% | 18,282,593 | 143.69% |
| October 1, 2012 | 0 | 21,081,563 | 21,081,563 | 0.0% | 17,815,524 | 118.33% |

Note: (1) The District's OPEB actuarial valuation used the entry age normal cost method to estimate the actuarial accrued liability.

***WASHINGTON COUNTY***
***DISTRICT SCHOOL BOARD***
***REQUIRED SUPPLEMENTARY INFORMATION***
***TEN-YEAR CLAIMS DEVELOPMENT INFORMATION - PANHANDLE AREA EDUCATIONAL CONSORTIUM - RISK MANAGEMENT CONSORTIUM PROPERTY/CASUALTY PROGRAM***
***For the Fiscal Year Ended June 30, 2014***

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| Net Earned Required Contribution and Investment Revenues: | | | | | | | | | | |
| Earned | $ 8,685,394 | $ 8,924,648 | $ 10,569,582 | $ 10,477,909 | $ 9,867,184 | $ 8,499,535 | $ 7,618,906 | $ 7,572,018 | $ 8,114,560 | $ 7,402,690 |
| Excess Insured | 3,391,913 | 3,425,355 | 4,974,901 | 5,129,437 | 4,848,596 | 4,682,139 | 4,280,708 | 4,175,550 | 4,517,971 | 3,628,701 |
| Total Net Earned Required Contribution and Investment Revenues | 5,293,481 | 5,499,293 | 5,594,681 | 5,348,472 | 5,018,588 | 3,817,396 | 3,338,198 | 3,396,468 | 3,596,589 | 3,773,989 |
| Unallocated Expenses | 936,129 | 939,537 | 1,037,647 | 1,090,175 | 1,551,016 | 1,192,285 | 1,094,811 | 933,147 | 1,069,180 | 864,042 |
| Estimated Incurred Claims and Expense, End of Policy Year: | | | | | | | | | | |
| Incurred | 2,986,565 | 3,344,584 | 2,676,832 | 3,630,953 | 3,345,898 | 2,517,852 | 3,560,000 | 2,565,000 | 3,980,500 | 3,080,000 |
| Excess Insured | 301,207 | 167,359 | 112,240 | 200,000 | 26,000 | | | | 1,060,500 | |
| Total Estimated Incurred Claims and Expense, End of Policy Year | 2,685,358 | 3,177,225 | 2,564,592 | 3,430,953 | 3,319,898 | 2,517,852 | 3,560,000 | 2,565,000 | 2,920,000 | 3,080,000 |
| Net Paid (Cumulative) as of: | | | | | | | | | | |
| End of Policy Year | 748,451 | 957,894 | 688,723 | 948,829 | 949,419 | 641,794 | 1,296,831 | 760,830 | 838,114 | 868,715 |
| One Year Later | 1,476,847 | 1,840,666 | 1,678,444 | 2,171,636 | 1,865,986 | 1,405,091 | 2,553,970 | 1,492,163 | 1,385,334 | |
| Two Years Later | 1,789,931 | 2,623,062 | 2,180,460 | 2,498,780 | 2,351,378 | 1,821,551 | 3,163,562 | 1,971,921 | | |
| Three Years Later | 2,301,343 | 2,810,264 | 2,319,831 | 2,533,577 | 2,436,759 | 2,025,296 | 3,489,042 | | | |
| Four Years Later | 2,314,401 | 2,927,564 | 2,422,083 | 2,543,417 | 2,441,781 | 2,124,975 | | | | |
| Five Years Later | 2,333,832 | 2,977,784 | 2,439,511 | 2,553,564 | 2,442,992 | | | | | |
| Six Years Later | 2,341,139 | 2,947,810 | 2,441,678 | 2,560,077 | | | | | | |
| Seven Years Later | 2,356,213 | 2,966,341 | 2,444,065 | | | | | | | |
| Eight Years Later | 2,360,475 | 2,984,320 | | | | | | | | |
| Nine Years Later | 2,368,038 | | | | | | | | | |
| Reestimated Excess Insured Claims and Expense | 737,674 | 391,586 | 537,322 | 368,976 | 233,979 | 59,762 | 1,454,864 | 309,823 | 1,276,207 | 0 |
| Reestimated Net Incurred Claims and Expense: | | | | | | | | | | |
| End of Policy Year | 2,685,358 | 3,177,225 | 2,564,592 | 3,430,953 | 3,319,898 | 2,517,852 | 3,560,000 | 2,565,000 | 2,920,000 | 3,080,000 |
| One Year Later | 2,507,011 | 3,265,226 | 3,063,890 | 3,510,583 | 3,056,882 | 2,470,000 | 3,895,000 | 2,375,000 | 2,310,000 | |
| Two Years Later | 2,569,324 | 3,546,669 | 2,769,356 | 3,066,976 | 2,915,145 | 2,416,504 | 3,832,902 | 2,480,112 | | |
| Three Years Later | 2,676,184 | 3,213,761 | 2,737,164 | 2,835,710 | 2,800,145 | 2,356,702 | 3,968,395 | | | |
| Four Years Later | 2,488,072 | 3,238,651 | 2,621,352 | 2,695,711 | 2,570,145 | 2,301,723 | | | | |
| Five Years Later | 2,518,287 | 3,124,564 | 2,580,594 | 2,675,711 | 2,616,706 | | | | | |
| Six Years Later | 2,453,720 | 3,080,832 | 2,570,594 | 2,709,358 | | | | | | |
| Seven Years Later | 2,443,720 | 3,048,834 | 2,550,593 | | | | | | | |
| Eight Years Later | 2,443,720 | 3,078,833 | | | | | | | | |
| Nine Years Later | 2,433,719 | | | | | | | | | |
| Increase (Decrease) in Estimated Incurred Claims and Expense from End of Policy Year | (251,639) | (98,392) | (13,999) | (721,595) | (703,192) | (216,129) | 408,395 | (84,888) | (610,000) | 0 |

**WASHINGTON COUNTY**
**DISTRICT SCHOOL BOARD**
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**
**JUNE 30, 2014**

## 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, student 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 October 1, 2012, unfunded actuarial accrued liability of $21,081,563 was significantly lower than the October 1, 2010, liability of $26,269,544 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- The number of retirees currently receiving postemployment health benefits through the District core plan increased from 185 in the October 1, 2010, valuation to 209 in the October 1, 2012, valuation. At the same time, the number of active employees eligible for future postemployment benefits decreased from 491 to 421 in the October 1, 2012, valuation. These combined population changes decreased the cost and liability in the October 1, 2012, valuation.
- The total cost of coverage decreased from $650 per employee per month (as expected for the OPEB Plan year beginning October 1, 2010) to $618 per employee for the year beginning October 1, 2012, which is lower than the projected $768 per employee per month. This change substantially decreased the cost and liability in the October 1, 2012, valuation.
- Retiree medical coverage acceptance and continuation assumptions were revised. In the October 1, 2012, valuation the assumption was the trends for costs and premiums to be 8 percent for the year beginning October 1, 2013, with subsequent trend rates decreasing 0.50 percent each year thereafter to the ultimate value of 5 percent. Revisions were made to the trend rates for costs and premiums charged to retirees for the year beginning October 1, 2013, to be 8.5 percent higher than for the year beginning October 1, 2012. A similar pattern was then followed: 8 percent for costs and premiums for the year beginning October 1, 2014, and decreasing 0.50 percent each subsequent year until reaching the ultimate value of 5 percent. This change increased the cost and liability in the October 1, 2012, valuation.
- The District Plan is projected to be assessed the Excise Tax on High-Cost Employer Health Plans beginning with the 2030 plan year. Absent any plan changes, this tax is estimated to result in a 0.435 percent increase in the cost of coverage for the plan year 2030 (and all subsequent years), in addition to 5 percent medical inflation assumed for that year for a total increase of 5.435 percent over the 2029 plan year. This change increased the cost and liability in the October 1, 2012, valuation.

**WASHINGTON COUNTY**
**DISTRICT SCHOOL BOARD**
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**
**JUNE 30, 2014**

- Revisions were made to certain demographic assumptions to reflect changes made to the Florida Retirement System for the July 1, 2011, actuarial valuation, increasing the cost and liability in the October 1, 2012, valuation.

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***WASHINGTON COUNTY***
***DISTRICT SCHOOL BOARD***
***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***
***For the Fiscal Year Ended June 30, 2014***

| Federal Grantor/Pass-Through Grantor/Program Title | Catalog of Federal Domestic Assistance Number | Pass - Through Grantor Number | Amount of Expenditures (1) | Amount Provided to Subrecipients |
|---|---|---|---|---|
| **United States Department of Agriculture:** | | | | |
| Indirect: | | | | |
| Child Nutrition Cluster: | | | | |
| Florida Department of Agriculture and Consumer Services: | | | | |
| School Breakfast Program | 10.553 | 13002 | $ 263,570.23 | $ |
| National School Lunch Program | 10.555 (2) | 13001, 13003 | 1,062,143.78 | |
| **Total United States Department of Agriculture** | | | 1,325,714.01 | |
| **United States Department of Labor:** | | | | |
| Indirect: | | | | |
| The Agricultural and Labor Program, Inc.: | | | | |
| National Farmworker Jobs Program | 17.264 | 405 | 66,632.29 | |
| Chipola College: | | | | |
| H-1B Job Training Grants | 17.268 | HG 22727-12-60A-12 | 74,853.70 | |
| **Total United States Department of Labor** | | | 141,485.99 | |
| **United States Department of Education:** | | | | |
| Direct: | | | | |
| Federal Pell Grant Program | 84.063 | N/A | 1,100,326.23 | |
| Indirect: | | | | |
| Special Education Cluster: | | | | |
| Florida Department of Education: | | | | |
| Special Education - Grants to States | 84.027 (3) | 262, 263 | 2,530,549.16 | 52,461.41 |
| Special Education - Preschool Grants | 84.173 | 266, 267 | 257,646.72 | |
| Putnam County District School Board: | | | | |
| Special Education - Grants to States | 84.027 (3) | None | 12,887.15 | |
| University of South Florida: | | | | |
| Special Education - Grants to States | 84.027 (3) | None | 11,323.46 | |
| **Total Special Education Cluster** | | | 2,812,406.49 | 52,461.41 |
| Florida Department of Education: | | | | |
| Adult Education - Basic Grants to States | 84.002 | 191 | 226,711.12 | |
| Title I Grants to Local Educational Agencies | 84.010 | 118, 212, 226 | 1,328,751.20 | |
| Migrant Education - State Grant Program | 84.011 | 217 | 1,286,483.30 | 72,749.33 |
| Title I State Agency Program for Neglected and Delinquent Children and Youth | 84.013 | 216 | 103,059.11 | |
| Career and Technical Education - Basic Grants to States | 84.048 | 151 | 163,935.27 | |
| Education for Homeless Children and Youth | 84.196 | 127 | 166,774.62 | |
| Rural Education | 84.358 | 110 | 59,368.19 | |
| Improving Teacher Quality State Grants | 84.367 (4) | 224 | 202,233.19 | |
| ARRA - School Improvement Grants, Recovery Act | 84.388 | 126 | 391,864.99 | |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395 (5) | PA111, PU111, RL111, RA111, RA211, RA311, RD211, RG311, RG411, RS411 | 2,904,776.54 | 1,174,072.32 |
| Florida State University: | | | | |
| Mathematics and Science Partnerships | 84.366 | R01702, R01614 | 183,411.00 | 85,766.34 |
| Gulf Coast State College: | | | | |
| Improving Teacher Quality State Grants | 84.367 (4) | None | 232,661.10 | 13,388.42 |
| Public Consulting Group: | | | | |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395 (5) | None | 133,381.02 | 6,271.48 |
| Calhoun County District School Board: | | | | |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395 (5) | None | 14,000.00 | |
| Partnership for Assessment of Readiness for College and Careers: | | | | |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395 (5) | None | 44,984.12 | |
| **Total Indirect** | | | 10,254,801.26 | 1,404,709.30 |
| **Total United States Department of Education** | | | 11,355,127.49 | 1,404,709.30 |
| **United States Department of Health and Human Services:** | | | | |
| Indirect: | | | | |
| Florida Department of Health: | | | | |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | COH6U | 93,589.10 | 50,066.40 |
| Redland Christian Migrant Association: | | | | |
| Head Start | 93.600 | None | 18,059.32 | |
| University of South Florida: | | | | |
| Cooperative Agreement to Support Navigators in Federally-Facilitated and State Partnership Exchanges | 93.750 | None | 54,283.44 | |
| Chemical Additions Recovery Effort, Inc.: | | | | |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | None | 35,486.93 | |
| **Total United States Department of Health and Human Services** | | | 201,418.79 | 50,066.40 |
| **United States Department of Defense:** | | | | |
| Direct: | | | | |
| Army Junior Reserve Officers Training Corps | None | N/A | 130,244.05 | |
| **Total Expenditures of Federal Awards** | | | $ 13,153,990.33 | $ 1,454,775.70 |

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 - National School Lunch Program. Includes $41,769.43 of donated foods used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Special Education Grants to States. CFDA No. 84.027 expenditures total $2,554,759.77.

(4) Improving Teacher Quality State Grants. CFDA No. 84.367 expenditures total $434,894.29.

(5) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act. CFDA No. 84.395 expenditures total $3,097,141.68.

# AUDITOR GENERAL
## STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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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 business-type activities, each major fund, and the aggregate remaining fund information of the Washington County District School Board, as of and for the fiscal year ended June 30, 2014, 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 12, 2015, 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, as described in our report on the District'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 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 as 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 12, 2015

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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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 Washington 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, 2014. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **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.

***Opinion on Each Major Federal Program***

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 major Federal programs for the fiscal year ended June 30, 2014.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 2014-001. Our opinion on each major Federal program is not modified with respect to this matter.

**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.

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 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. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance as described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 2014-001 that we consider to be a significant deficiency.

**Management's Response**

Management's response to the findings identified in our audit is included as 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 12, 2015

# WASHINGTON COUNTY
# DISTRICT SCHOOL BOARD
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2014

## 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? | No |
| Significant deficiency(ies) identified? | Yes |
| Type of auditor's report issued on compliance for major programs: | Unmodified |
| 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: |
|---|---|
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.027 and 84.173 | Special Education Cluster |
| 84.388 | ARRA – School Improvement Grants, Recovery Act |
| 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: | $394,619 |
| Auditee qualified as low-risk auditee? | No |

# WASHINGTON COUNTY
# DISTRICT SCHOOL BOARD
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
# FOR THE FISCAL YEAR ENDED JUNE 30, 2014

## ADDITIONAL MATTERS

### Finding No. 1: 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 construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. The CME may be required to offer a guaranteed maximum price (GMP), which allows for the difference between the actual cost 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 review documentation submitted by the CME in support of payment requests.

In December 2013, the Board entered into a contract with a CME and, in February 2014, the contract was amended to establish a GMP of $1,910,372. During the 2013-14 fiscal year, the District had expenditures totaling $1,132,915 to the CME for the contracted services. Our review disclosed that the District's construction contract administration procedures could be improved, as follows:

- Chapter 489, Florida Statutes, establishes certain certification requirements for persons engaged in construction contracting, including licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors. District personnel indicated that they did not verify subcontractor licenses but relied on the CME to verify this information. In response to our inquiry, District personnel obtained and we confirmed subcontractor licenses from the CME for five subcontractors; however, our procedures do not substitute for the District's responsibility to monitor these licenses. Without the additional assurance by the District's verification of subcontractor licenses, there is an increased risk that subcontractors working on District facilities do not meet the minimum qualifications to perform the work for which they are engaged.
- Section 1013.47, Florida Statutes, provides, in part, that construction contracts must contain the time limit in which the construction is to be completed and the penalty to be paid by the contractor for failure to comply with the contract terms. While the contract with the CME contained certain termination clauses, such as failure to supply skilled workers or proper materials, failure to pay subcontractors, breach of contract, and a process for dispute resolution, the contract did not provide for a completion date or a penalty for failure to timely complete the project. Without established project completion dates and penalty clauses for failure to comply with contract terms, the District may be limited in its ability to ensure CMEs timely complete construction projects.

**Recommendation: The District should enhance its procedures to monitor verification of subcontractors' licensure status prior to commencement of work on projects. The District should also ensure that completion dates and penalty clauses are established in future CME contracts.**

**Finding No. 2: State Capital Outlay Appropriations**

The State allocates Public Education Capital Outlay (PECO) and other capital outlay appropriations to the District on an annual basis. The District's annual allocations consist of specific State-defined project categories and appropriation amounts, each of which has its own restrictions governing use. Section 216.301(2), Florida Statutes, provides that the unexpended balance of any appropriation for fixed capital outlay for an educational facility that is not contracted, or committed to be expended, prior to February 1 of the third fiscal year, shall revert on February 1 of such year to the fund from which it was appropriated. Consequently, the 2010-11 fiscal year fixed capital outlay appropriations for educational facilities were subject to reversion on February 1, 2013, if the Board had not approved a contract, received bids, issued notice of intent to award a contract, or issued a purchase order to accomplish the work with in-house staff.

In July 2013, five months after the February 1, 2013, reversion deadline, the District awarded a bid in June 2013, committing $78,821 from the 2010-11 fiscal year PECO - Remodeling, Renovation, Maintenance, Repairs and Site Improvements appropriation for installation of a fire alarm system, and incurred expenditures of the same amount during the 2013-14 fiscal year. District personnel indicated that the funds were untimely committed and expended due to oversights, resulting in $78,821 of questioned costs subject to reversion. Without proper accountability to ensure timely commitment and expenditure of PECO appropriations, District records did not demonstrate compliance with spending timeframes for these resources and the District is at risk of losing this funding.

**Recommendation: The District should establish procedures to ensure adequate accountability for State appropriations subject to reversion pursuant to Section 216.301(2), Florida Statutes. The District should also consult with the Florida Department of Education regarding the allowability of the $78,821 in expenditures.**

**Finding No. 3: Background Screenings**

Pursuant to Section 1012.32(2)(a), Florida Statutes, instructional and noninstructional personnel must undergo background screenings required under Sections 1012.465 and 1012.56(10), Florida Statutes, whichever is applicable. Also, instructional and noninstructional personnel background rescreenings are required every five years following the initial screening upon employment. In addition, Sections 1012.465 and 1012.467, Florida Statutes, provide that instructional and noninstructional contractors who are permitted access to school grounds when students are present or who have direct contact with students must undergo certain background screenings at least every five years. Section 1012.468, Florida Statutes, provides exceptions to background screenings if the noninstructional contractors are under the direct supervision of District personnel or the contractor has met the screening requirements.

District procedures generally require that all such personnel and contractors receive background screenings upon initial employment, with the screenings updated every five years thereafter. Our test of 26 employees and 21 contractor workers, such as building contractors, inspectors, and lunchroom workers unsupervised by District personnel, disclosed required background screenings were not initially obtained for an instructional employee and 4 noninstructional contractor workers. Subsequent to our inquiry, required background screenings were performed for the employee and 4 contractor workers.

District personnel indicated that these exceptions occurred because of oversights. Absent timely background screenings, there is an increased risk that employees and contractor workers with unsuitable backgrounds may be allowed access to students.

**Recommendation: The District should strengthen its controls to ensure that required background screenings are timely performed for instructional employees and noninstructional contractor workers.**

## Finding No. 4: Contractual Services

The Board routinely enters into contracts for services, and internal controls have generally been designed and implemented to ensure payments are consistent with contract terms and conditions. To determine the propriety of payments for contractual services, we tested 4 payments for the 2013-14 fiscal year to two vendors totaling $69,618 and noted controls could be enhanced as discussed below.

The Board approved an occupational therapy services proposal from a service provider that required the District to pay the provider based on various hourly rates for a maximum of 38 hours per week. Schools maintained sign-in, sign-out sheets to evidence satisfactory receipt of the services; however, service provider invoices did not detail hours worked and District personnel did not reconcile the proposal and sign-in, sign-out sheets to payments. While our test of three payments totaling $32,300 to the service provider disclosed that payments were consistent with the proposal rates and hours worked listed on the sign-in, sign-out sheets, our test does not substitute for management's responsibility to establish adequate control procedures over contractual services.

Without reconciling documented services received and related costs to service provider proposals before payments are made, there is an increased risk of overpayment or that services may not be consistent with Board intent. Similar findings were noted in our report Nos. 2013-120 and 2014-114.

**Recommendation: The District should enhance procedures to ensure that documented services received and related costs are reconciled to Board-approved service provider proposals before payments are made.**

## Finding No. 5: Purchasing Procedures

Board-adopted policies prohibit conflicts of interest and the District had certain procedures to reduce the risk of contractual relationships that cause conflicts of interest. For example, the Superintendent reviewed and approved all purchase orders issued over $20,000. The Superintendent, Board members, and Director of Finance were required to file statements of financial interests pursuant to Section 112.3145, Florida Statutes. While the statements of financial interests were filed as required, these statements were not provided to personnel responsible for procurement decisions for review.

Subsequent to our inquiry in October 2014, the Director of Finance reviewed the most recent required statements of financial interests of the Superintendent and Board members and noted no apparent conflicts of interest. Providing for routine review and consideration of required statements of financial interests by personnel responsible for procurement decisions would enhance the District's procurement practices and reduce the risk of questioned procurement transactions or contractual obligations.

**Recommendation: The District should strengthen its procedures to provide for routine review of required statements of financial interests by personnel responsible for making procurement decisions.**

**Finding No. 6: Health Insurance Plan**

For the 2013-14 fiscal year, the Board-adopted collective bargaining agreements required the District to contribute $4,758 annually toward the health insurance of each full-time employee and, pursuant to Section 112.0801, Florida Statutes, retired employees and their dependents participated in the District's health insurance plan at their own expense, but at the rate of current employees. District personnel were responsible for deducting the insurance premium costs from employee pay, collecting insurance premiums from retirees, and depositing payments to its self-insurance program account. Employees may enroll in the District's health insurance plan upon employment, during open enrollment periods, and make changes to their coverage outside of open enrollment periods for certain qualifying events such as marriage, divorce, death, or birth of a dependent. There were 414 employees who contributed a total of $1 million and 202 retirees who contributed a total of $1 million to participate in the District's health insurance plan, and the District contributed $2.6 million toward the plan. Also, 188 dependents participated in the District's health insurance plan.

District personnel reconciled health insurance billings to payroll records to ensure that insurance premiums and related claims payments were only for eligible employees and retirees. Also, for employees making health insurance coverage changes to spousal coverage, the District reviewed source documentation supporting the changes, such as marriage licenses and divorce settlements. While employees making changes to coverage for other dependents are required to complete and sign a medical enrollment form that prohibits misrepresentations and errors, the District did not require employees or retirees to provide documentation to evidence the dependents' eligibility. Without verifying the eligibility of all dependents covered through the District's health insurance plan, there is an increased risk that dependents receiving insurance coverage may be ineligible participants.

Although the employees and retirees are required to pay health insurance premiums for dependent coverage, future premium rates for the District's health insurance plan are based on claims experience. Therefore, claims for an ineligible dependent could result in future increases in health insurance premiums paid by the District for employees' healthcare coverage.

Further, our test of June 2014 retiree insurance premium payments received disclosed 11 retiree insurance premium checks dated from 7 to 47 days after the due date. Also, 2 retiree insurance premium checks from the Division of Retirement dated May 30, 2014, totaling $71,157.45, and 16 individual retiree insurance premium checks totaling $9,394.50, were not deposited until July 16, 2014. The untimely receipt and deposit of premium payments from retirees resulted from untimely reconciliations of insurance billings to payroll deduction and Board contribution records. In addition, the District maintained a manual ledger of retiree insurance premium activity without recording the transactions in the District's general ledger.

Absent controls to timely reconcile retiree insurance billings to payroll deduction and Board contribution records, record premium payments received to the general ledger, and deposit premium payments to the self-insurance program account, the risk is increased that errors or fraud could occur without timely detection.

**Recommendation: The District should enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan. In addition, the District should enhance controls to ensure that all retiree insurance premium collections are timely recorded in the general ledger and deposited to the self-insurance program account.**

## VIRTUAL INSTRUCTION PROGRAM

### Finding No. 7: Virtual Instruction Program Policies and Procedures

Pursuant to Section 1001.41(3), Florida Statutes, school districts are responsible for prescribing and adopting standards and policies to provide each student the opportunity to receive a complete education. Educational methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. Section 1002.45, Florida Statutes, establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely written parental notification of VIP options; ensure the eligibility of students participating in VIPs; and provide computer equipment, Internet access, and instructional materials to eligible students.

The District contracted with a Florida Department of Education (FDOE) approved provider and the Panhandle Area Educational Consortium (PAEC) to administer certain aspects of the VIP. During the 2013-14 fiscal year, 4 full-time students were enrolled in the VIP. While District documents identified certain instructional methods and referenced VIP options, procedures could be expanded to include more detailed instructions for personnel responsible for administering the VIP regarding matters such as provider contracts, required written notices, instructional materials, and computing resources. The policies and procedures could also be expanded to provide guidance on monitoring VIP teacher qualifications and certifications. For example, policies and procedures could require District personnel to confirm Florida teaching certificates with the FDOE and survey a sample of parents to confirm that the contracted VIP teachers were the teachers who provided the services.

Comprehensive, written policies and procedures would promote compliance with the VIP statutory requirements, evidence management's expectations of key personnel, and communicate management's commitment to, and support of, effective controls. Additionally, the lack of comprehensive, written VIP policies and procedures may have contributed to the following instances of noncompliance and control deficiencies:

- Section 1002.45(10), Florida Statutes, requires that school districts provide information to parents and students about their right to participate in a VIP, and Section 1002.45(1)(b), Florida Statutes, requires school districts to provide parents with timely, written notification of the open enrollment periods for their VIPs. For the 2013-14 school year, District personnel indicated several communication methods were used to provide information about the District's VIP to parents and students. Such communication included parent night discussions and registration forms which could be obtained at a registration meeting with guidance personnel. While these methods indicate efforts by District personnel to communicate with parents and students about the VIP, District records did not evidence that written notifications were provided directly to parents. Without such direct notifications, some parents may not be informed of available VIP options and associated enrollment periods, potentially limiting student access to virtual instruction types.
- Our review of the District's contract with the FDOE-approved provider disclosed that the contract lacked some necessary provisions, as follows:
    - The contract did not provide for the District to monitor the provider's compliance with contract terms. Without such provisions, the District may be limited in its ability to perform such monitoring. Such monitoring could include confirmation or verification that the VIP provider protected the confidentiality of student records.
    - The contract did not contain requirements for the provider to implement, maintain, and use appropriate, administrative, technical, or physical security measures to the full extent required by Title 20, Section 1232g, United States Code, The Family Educational Rights and Privacy Act, to

maintain the confidentiality of educational records and did not specify any minimum required security controls that the District expected to be in place to protect the confidentiality, availability, and integrity of critical and sensitive data. Additionally, the contract did not specify any minimum required security controls that the District expected to be in place to protect the confidentiality, availability, and integrity of critical and sensitive educational data. Without specifying minimum required security controls, there is an increased risk that deficiencies in information security on other information technology (IT) controls may occur.

- The contract included no provisions for data quality requirements. The District's VIP provider maintains significant amounts of educational data used to support the administration of the VIP and to meet District reporting needs to ensure compliance with State funding, information, and accountability requirements as set forth in State law. Accordingly, it is essential that accurate and complete data maintained by the provider on behalf of the District be available in a timely manner. Inclusion of data quality requirements in contracts would help ensure that the District expectations for the timeliness, accuracy, and completeness of educational data are clearly communicated to the provider.

Section 1002.45(2)(a)8.e., Florida Statutes, requires that FDOE-approved VIP providers publish student-teacher ratios and other instructional information in all contracts negotiated with school districts. The District's contract with the FDOE-approved provider established student ratios ranging from 30:1 for grades kindergarten through 3 to 250:1 for grades 9 through 12 elective courses. However, District records did not evidence how the District determined the reasonableness of the established ratios. Without documenting the reasonableness of established ratios, the number of students in the VIP classes may exceed the District's expectation and the District's abilities to monitor the quality of the provider's virtual instruction may be limited.

- Section 1002.45(2)(a)3., Florida Statutes, requires VIP providers to conduct background screenings for all employees or contracted personnel as a condition of approval by the FDOE as a VIP provider in the State. Additionally, Section 1012.55(1), Florida Statutes, requires that each person serving in an instructional capacity in any public school in any school district within the State, including personnel providing direct instruction to students through a virtual environment or through a blended virtual and physical environment, undergo background verifications in accordance with Section 1012.32, Florida Statutes. During the 2013-14 fiscal year, the District used a total of 13 instructors who provided services through PAEC and the FDOE-approved provider; however, improvements were needed in obtaining or verifying provider background screenings of these instructors as follows:

    - The District obtained services from PAEC through a franchise agreement for VIP instructors and PAEC's Risk Management Department was responsible for reviewing and approving the required background screenings. However, the District did not request or obtain evidence that PAEC instructors were subjected to required background screenings. Subsequent to our inquiry, the District obtained from PAEC correspondence indicating background screenings were performed for the four PAEC instructors who provided virtual instruction to District students in the 2013-14 fiscal year.

    - The FDOE-approved VIP provider indicated in its assurances to the FDOE during the approval process that lists of provider employees or contracted personnel subjected to the required screening would be provided to the District. However, the District did not obtain such a list or evidence of background screenings for the provider's instructors. Subsequent to our inquiry, District personnel reviewed the background screenings for 8 of 9 of the provider's instructors who were identified in the shared contractor background database. A screening was not obtained or requested for the remaining instructor. District personnel indicated they were unaware that they should review the screenings of the provider's instructors.

As similarly discussed in Finding No. 3 for background screenings of instructional personnel and noninstructional contractor workers, without effective controls to ensure that background screenings of VIP provider employees and contractor workers are performed, there is an increased risk that these individuals

may have backgrounds that are inappropriate for interacting with students and accessing confidential or sensitive District data and IT resources.

**Recommendation: The District should develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities. Such policies and procedures should include appropriate action to remedy the deficiencies identified above.**

## Finding No. 8: Information Technology – Security Incident Response Plan

Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, provisions for designated staff to be trained in incident response; notification to Federal, State, and local authorities and affected parties; and incident analysis and assessment of additional actions needed.

During the 2013-14 fiscal year, the District developed and implemented a written security incident response plan. However, the plan did not identify the security incident response team, did not include detailed procedures for isolating and containing specific security threats once identified, and the plan lacked an established process for notifying Federal, State, and local authorities, and affected parties, pursuant to Section 501.171, Florida Statutes, effective July 1, 2014 (previously Section 817.5681, Florida Statutes), whose personal information was, or was reasonably believed to have been, acquired by an unauthorized person. Lack of such critical components in the security incident response plan may result in the District's failure to take appropriate and timely actions should such an event occur. Similar findings were noted in our report Nos. 2013-120 and 2014-114.

**Recommendation: The District should improve its written security incident response plan to include identification of the security incident response team, detailed procedures for isolating and containing specific security threats, and procedures for notifying appropriate authorities and affected parties.**

## Finding No. 9: Information Technology – Security Controls – Data Loss Prevention and Management of Access Privileges

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District security controls related to data loss prevention and management of access privileges needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to data loss prevention and management of access privileges, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings were communicated to District management in connection with our report Nos. 2013-120 and 2014-114.

**Recommendation: The District should improve IT security controls related to data loss prevention and management of access privileges to ensure the continued confidentiality, integrity, and availability of District data and IT resources.**

## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

**Federal Awards Finding No. 2014-001:**
**Federal Agency: United States Department of Education**
**Pass-Through Entity: Florida Department of Education**
**Program: Title I Grants to Local Educational Agencies (CFDA No. 84.010)**
**Finding Type: Noncompliance and Significant Deficiency**
**Questioned Costs: $17,265.38**

**Eligibility - Title I Allocations**. Title 34, Section 200.78, Code of Federal Regulations, requires the District to allocate Title I schoolwide program funds to schools identified as eligible and selected to participate, in rank order, on the basis of the total number of children from low-income families in each school. The District is not required to allocate the same per-pupil amount to each participating school attendance area or school provided that it allocates higher per-pupil amounts to areas or schools with higher concentrations of poverty than to areas or schools with lower concentrations of poverty. Additionally, Title 20, Section 6313(a), United States Code, requires the District to serve those schools above the 75 percent poverty level, including middle or high schools, without regard to grade span, before it serves any with a poverty percentage below 75 percent.

As part of our tests, we requested that the District provide documentation evidencing that the budget was properly allocated to the respective schools as required. The District provided copies of the final budget allocations posted to the District's accounting records; however, budget amendments were made during the year without regard to the schools' rank order based upon the number of children from low-income families. As a result, amounts were not allocated to the District's schools in rank order based upon the number of children from low-income families, as follows:

| School | Final Budget Allocation | Number of Low-Income Students (A) | Percent of Low-Income Students | Ranking Based on Percent of Low-Income Students | Title I Per Pupil Allocation | Ranking Based on Per Pupil Allocation | Per Pupil Allocation Above Next Highest Ranked School (B) | Questioned Costs (A) X (B) |
|---|---|---|---|---|---|---|---|---|
| Vernon Elementary | $ 283,849.43 | 429 | 80.04 | 1 | $ 661.65 | 1 | $ | $ |
| Vernon Middle | 166,788.62 | 349 | 77.21 | 2 | 477.90 | 2 | | |
| Vernon High | 68,686.01 | 183 | 70.93 | 3 | 375.33 | 5 | | |
| Kate M. Smith Elementary | 202,335.00 | 518 | 65.82 | 4 | 390.61 | 4 | 15.28 | 7,915.04 |
| Roulhac Middle | 98,620.84 | 362 | 57.64 | 5 | 272.43 | 6 | | |
| Chipley High | 76,159.88 | 178 | 45.41 | 6 | 427.86 | 3 | 52.53 | 9,350.34 |
| Total | $ 896,439.78 | 2,019 | | | | | | $ 17,265.38 |

In the above described circumstances, resources were not allocated to the schools in rank order of need, and amounts totaling $17,265.38 represent questioned costs subject to disallowance by the grantor.

**Recommendation: The District should enhance procedures to ensure that Title I schoolwide program resources are properly allocated to schools. The District should also document to the grantor (FDOE) the allowability of the $17,265.38 of questioned costs and how Title I schoolwide program resources were used at the schools with the greatest needs, or restore this amount to the Title I program.**

District Contact Person: Dr. Bobbie Dawson, Director of Federal Programs

## PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2014-114 except as shown in the following table:

| | Financial and Federal Single Audit | |
|---|---|---|
| **Current Fiscal Year Finding Numbers** | **2012-13 Fiscal Year Audit Report and Finding Numbers** | **2011-12 Fiscal Year Audit Report and Finding Numbers** |
| 4 | Audit Report No. 2014-114, Finding No. 1 | Audit Report No. 2013-120, Finding No. 4 |
| 8 | Audit Report No. 2014-114, Finding No. 6 | Audit Report No. 2013-120, Finding No. 8 |
| 9 | Audit Report No. 2014-114, Finding No. 7 | Audit Report No. 2013-120, Finding No. 9 |

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

***WASHINGTON COUNTY***
***DISTRICT SCHOOL BOARD***
***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS***
***For the Fiscal Year Ended June 30, 2014***

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 |
|---|---|---|---|---|
| 2014-114 | | There were no Federal prior audit findings. | | |

## EXHIBIT A
## MANAGEMENT'S RESPONSE

Joseph Taylor
Superintendent of Schools
(850) 638-6222
Fax (850) 638-6226

Washington County
District School Board
"An Equal Opportunity Agency"
652 Third Street
Chipley, Florida 32428

District 1
Vann Brock
1160 Whittington Road, Chipley
District 2
Wayne C. Saunders
847 Candy Lane, Chipley
District 3
Milton Brown
3399 Mallory Road, Vernon
District 4
Terry Ellis
1306 Pinebluff Court, Chipley
District 5
Susan G.Roberts
1456 State Park Road, Chipley

March 3, 2015

The Honorable David W. Martin, CPA
Auditor General
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

In accordance with Section 11.45(4) (d), Florida Statutes, I acknowledge receipt of the preliminary and tentative findings resulting from the financial, Federal, and operational audit of the Washington County District School Board for the Fiscal Year Ended June 30, 2014. Individual responses are listed below:

**Finding No. 1: Construction Administration**
The District will verify each subcontractors' licensure prior to commencement of work on projects. The school board attorney has been employed to review the District's CME contracts.

**Finding No. 2: State Capital Outlay Appropriations**
The District will monitor the timely commitment and expenditure of PECO appropriations. The District is consulting with the Florida Department of Education regarding the allowability of the $78,821 in expenditures.

**Finding No. 3: Background Screenings**
The District has implemented procedures requiring pre-employment screenings be completed for all employees and non-instructional contractor workers before being recommended for employment to the School Board.

**Finding No. 4: Contractual Services**
The District has implemented procedures to include the service provider's therapy notes in the reconciliation process of the invoices and sign in sheets to ensure the documented services were received prior to payment.

"Quality Education Today For A Better Tomorrow"

## EXHIBIT A (CONTINUED)
## MANAGEMENT'S RESPONSE

**Finding No. 5: Purchasing Procedures**
The Superintendent and Director of Finance will review the required statements of financial interests in a timely manner to reduce the risk of questioned procurement transactions or contractual obligations.

**Finding No. 6: Health Insurance Plan**
The District has implemented procedures to verify the eligibility of all dependents covered by the District's health insurance plan. The District is sending a reminder to all retirees who individually pay insurance premiums of the payment deadline. The District will not hold up the insurance reconciliation due to the untimely receipt of retiree premium payments.

**Finding No. 7: Virtual Instruction Program Policies and Procedures**
The District will develop comprehensive, written Virtual Instruction Program (VIP) policies and procedures to enhance the effectiveness of its VIP operations and related activities and take appropriate action to remedy the deficiencies identified in this finding.

**Finding No. 8: Information Technology – Security Incident Response Plan**
The District has revised its security incident response plan to include the critical components noted. The plan is to be submitted for board approval on March 9, 2015.

**Finding No. 9: Information Technology – Security Controls - Data Loss Prevention and Management of Access Privileges**
The District has prepared a data loss prevention plan. The plan is to be submitted for board approval on March 9, 2015. The District through the Panhandle Area Educational Consortium continues to work with an independent company to improve security controls.

**Federal Awards Finding No. 2014-001: Eligibility – Title I Allocations**
The District will enhance its procedures to ensure that Title I schoolwide program resources are properly allocated to schools by the end of the 2014-15 fiscal year. The Director of Federal Programs is consulting with the Florida Department of Education about the allowability of the questioned costs.

Sincerely,



Herbert J. Taylor
Superintendent

HJT:lcc