

**WALTON COUNTY  
DISTRICT SCHOOL BOARD**

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**Financial, Operational, and Federal Single  
Audit**

For the Fiscal Year Ended  
June 30, 2009



## BOARD MEMBERS AND SUPERINTENDENT

Walton County District School Board members and the Superintendent who served during the 2008-09 fiscal year are listed below:

	<u>District No.</u>
Mildred T. Wilkerson	1
William E. Laird, Vice Chair to 11-17-08, Chair from 11-18-08	2
Sharon N. Roberts, Vice Chair from 11-18-08	3
Mark D. Davis	4
Darrell J. Barnhill, Chair to 11-17-08	5

Carlene H. Anderson, 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 Sheryl A. Walker, CPA, and the audit was supervised by James W. Kiedinger, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 487-9039.

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WALTON COUNTY DISTRICT SCHOOL BOARD  
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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: The District could improve controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.

Finding No. 2: Controls could be enhanced to ensure compliance with Section 119.071(5)(a), Florida Statutes, regarding notifying individuals of the need for and use of social security numbers.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster and the Education Technology programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note a compliance finding as summarized below.

Federal Awards Finding No. 1: Contrary to registration requirements for Federal awards, the District did not timely renew its registration in the Central Contractor Registration database.

### Audit Objectives and Scope

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

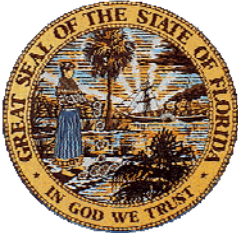
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a 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. 2009-154.

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, 2009. 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*.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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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 FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Walton County District School Board, as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 46 percent of the assets and 79 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the District's charter schools, which represent 98 percent of the assets, 100 percent of the liabilities, 99 percent of the revenues, and 98 percent of the expenses of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the District's charter schools, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Walton

County District School Board as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 8) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 39 and 40) are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA  
November 18, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Walton County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2009. 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 on pages 9 through 38.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2008-09 fiscal year are as follows:

- In total, net assets increased \$6,922,307.35, which represents a 5.2 percent increase from the 2007-08 fiscal year.
- General revenues total \$81,505,792.11, or 91.7 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$7,359,374.54, or 8.3 percent.
- Expenses total \$81,942,859.30; only \$7,359,374.54 of these expenses is offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$6,922,307.35.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$5,396,445.04 at June 30, 2009, or 8.2 percent of total General Fund expenditures.

### OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

#### Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the primary government presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents three separate legal entities as discretely presented component units in this report, including the Walton Academy, Inc., The Seaside School, Inc., and the Walton Education

Foundation, Inc. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

The Walton County Public Education Finance Authority, Inc. (Authority), although also a legally separate entity, was formed to facilitate financing of the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Authority, the Authority has been included (blended) as an integral part of the primary government.

### **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 two broad categories as discussed below.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds use a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

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

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

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

**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.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 2009, compared to net assets as of June 30, 2008:

	<b>Net Assets, End of Year</b>	
	Governmental	
	Activities	
	6-30-09	6-30-08
Current and Other Assets	\$ 18,278,716.34	\$ 33,220,993.58
Capital Assets	150,174,079.43	129,632,864.81
<b>Total Assets</b>	<b>168,452,795.77</b>	<b>162,853,858.39</b>
Long-Term Liabilities	24,267,693.70	24,186,431.53
Other Liabilities	3,849,982.51	5,254,614.65
<b>Total Liabilities</b>	<b>28,117,676.21</b>	<b>29,441,046.18</b>
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	131,910,258.26	109,736,833.42
Restricted	8,132,966.59	16,349,960.51
Unrestricted	291,894.71	7,326,018.28
<b>Total Net Assets</b>	<b>\$ 140,335,119.56</b>	<b>\$ 133,412,812.21</b>

The largest portion of the District’s net assets (94 percent) reflects its investment in capital assets (e.g., land, buildings, furniture 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.

The restricted portion of the District’s net assets (5.8 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (0.2 percent) may be used to meet the government’s ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2009, and June 30, 2008, are as follows:

**Operating Results for the Year**

	Governmental Activities	
	6-30-09	6-30-08
<b>Program Revenues:</b>		
Charges for Services	\$ 1,370,293.31	\$ 1,385,015.35
Operating Grants and Contributions	3,755,379.82	3,605,686.10
Capital Grants and Contributions	2,233,701.41	2,651,005.41
<b>General Revenues:</b>		
Property Taxes, Levied for Operational Purposes	45,955,465.80	45,252,382.18
Property Taxes, Levied for Capital Projects	19,623,872.07	21,454,647.06
Grants and Contributions Not Restricted to Specific Programs	15,193,869.69	16,343,085.75
Unrestricted Investment Earnings	(55,749.26)	1,500,472.74
Miscellaneous	788,333.81	1,434,503.25
<b>Total Revenues</b>	<b>88,865,166.65</b>	<b>93,626,797.84</b>
<b>Functions/Program Expenses:</b>		
Instruction	42,696,989.19	39,752,894.04
Pupil Personnel Services	2,471,979.15	2,342,320.00
Instructional Media Services	1,318,790.87	1,340,916.25
Instruction and Curriculum Development Services	1,270,980.19	1,300,565.72
Instructional Staff Training Services	1,502,528.27	1,545,819.08
Instruction Related Technology	960,729.47	748,383.37
Board of Education	384,561.38	352,934.45
General Administration	314,111.77	307,789.34
School Administration	5,169,820.42	4,661,857.88
Facilities Acquisition and Construction	1,289,264.49	916,995.85
Fiscal Services	374,623.07	406,747.66
Food Services	3,488,132.11	3,173,898.31
Central Services	1,089,577.97	1,195,730.62
Pupil Transportation Services	4,319,507.47	4,210,651.83
Operation of Plant	7,721,589.66	6,964,112.96
Maintenance of Plant	1,481,111.25	1,489,992.08
Administrative Technology Services	318,502.01	246,769.15
Community Services	521,319.57	414,535.40
Interest on Long-Term Debt	953,957.61	993,759.76
Unallocated Depreciation Expense	4,294,783.38	3,961,938.77
<b>Total Functions/Program Expenses</b>	<b>81,942,859.30</b>	<b>76,328,612.52</b>
<b>Increase in Net Assets</b>	<b>\$ 6,922,307.35</b>	<b>\$ 17,298,185.32</b>

The largest revenue source for the 2008-09 fiscal year was the property tax levy, which resulted in total revenues for both operational purposes and capital projects purposes of \$65,579,337.87, or 73.8 percent of total revenues. Revenues from State sources for current operations were 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. Revenues from State sources for current operations totaled \$14,617,626.42 for the 2008-09 fiscal year, of which \$1,645,898 was directly attributable to FEFP funding. Other State revenues are

primarily for categorical program purposes and for the acquisition, construction, and maintenance of educational facilities. Overall, 2008-09 fiscal year revenues were less than 2007-08 fiscal year revenues by \$4,761,631.19. Nearly all of this decrease is attributable to the economic downturn which has resulted in reduced local and State collections. Major contributors to the revenue reductions in the 2008-09 fiscal year was FEFP revenues, which declined \$1,569,449 to \$1,645,898, and investment income which declined \$1,556,222 to (\$55,749.26) due to declines in investment rates, amounts available for investment, and unrealized losses from recording investment fair value adjustments.

Instructional expenses represent 52.1 percent of total governmental expenses in the 2008-09 fiscal year. Instructional expenses increased by \$2,944,095.15, or 7.4 percent, from the previous year due mainly to the employment of additional staff and an increase in the base pay of instructional and educational support staff.

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

#### **Major Governmental Funds**

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unreserved fund balance is \$5,396,445.04, while the total fund balance is \$5,824,973.10. The unreserved fund balance decreased by \$5,170,314.80, while the total fund balance decreased by \$5,147,801.52 during the fiscal year. Key factors in this decrease are as follows:

- Revenues decreased by \$2,123,125.39 from \$61,800,640.19 in the 2007-08 fiscal year to \$59,677,514.80 in the 2008-09 fiscal year, due primarily to a decrease of \$1,569,449 in Florida Education Finance Program revenues. Interest revenues decreased by \$491,456.61, and miscellaneous State revenues decreased by \$419,435.71. Tax revenues increased by \$702,134.20 and miscellaneous local revenues increased by \$454,858.77.
- Total expenditures increased by \$2,465,058.74 over the same period, from \$63,527,051.17 to \$65,992,109.91 due primarily to the employment of additional staff, an increase in the base pay of instructional and educational support staff, and higher utility costs.
- Other financing sources and uses decreased by \$582,673.61, from \$1,749,467.20 in the 2007-08 fiscal year to \$1,166,793.59 in the 2008-09 fiscal year, due primarily to a reduction in loss recoveries.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$6,975,365.40, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased in the current year due to the completion of Mossy Head Elementary School, expenditures for Walton High School, and renovations of various facilities.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's budgets are prepared and amendments made according to Florida law. The most significant budgeted fund is the General Fund.

During the course of the 2008-09 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total appropriations of \$2,772,111.79, or 4.3 percent. Final budgeted revenues and other financing sources and uses were more than the original budgeted amounts by \$477,526.12. This resulted in a final budgeted ending fund balance that was \$2,294,585.67, or 29.3 percent, less than the ending fund balance included in the original budget.

Actual revenues and other financing sources and uses were \$452,254.73 less than the final budgeted amounts, while actual expenditures were \$738,960.65 less than the final budgeted amounts. Zero or positive budget variances

occurred in all functions. The ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$286,705.92.

## **CAPITAL ASSETS AND LONG-TERM DEBT**

### **Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$150,174,079.43 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and computer software.

Construction in progress at June 30, 2009, includes two new facilities, a new Walton High School, and a new Emerald Coast Middle School. Mossy Head Elementary School was completed in February 2009.

Additional information on the District's capital assets can be found in Note 4 to the financial statements.

### **Long-Term Debt**

At June 30, 2008, the District had total long-term debt outstanding of \$19,896,031.39, compared to \$18,263,821.17 at June 30, 2009. This amount is comprised of \$1,555,000 of bonds payable and \$16,708,821.17 of certificates of participation payable.

Additional information on the District's long-term debt can be found in Notes 6 through 8 to the financial statements.

## **REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A, financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Walton County District School Board, 145 Park Street, Suite 3, DeFuniak Springs, Florida 32435.

## BASIC FINANCIAL STATEMENTS

**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS  
June 30, 2009**

	Primary Government Governmental Activities	Component Units
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 16,631,101.19	\$ 617,978.00
Investments	313,144.34	286,676.00
Accounts Receivable	233,790.39	27.00
Deposits Receivable		6,021.00
Prepaid Items		13,367.00
Due from Other Agencies	65,125.22	4,881.00
Inventories	140,596.03	
Deferred Charges	894,959.17	
Capital Assets:		
Nondepreciable Capital Assets	43,750,402.58	633,413.00
Depreciable Capital Assets, Net	106,423,676.85	1,115,575.00
	<b>\$ 168,452,795.77</b>	<b>\$ 2,677,938.00</b>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES</b>		
Salaries and Benefits Payable	\$ 393,718.93	\$ 6,768.00
Payroll Deductions and Withholdings	1,140,688.66	
Accounts Payable	314,578.61	21,042.00
Construction Contracts Payable	723,457.90	
Construction Contracts Payable - Retainage	1,257,980.14	
Due to Other Agencies	11,259.75	
Deferred Revenue	8,298.52	
Long-Term Liabilities:		
Portion Due Within One Year	2,224,903.51	96,692.00
Portion Due After One Year	22,042,790.19	191,215.00
	<b>28,117,676.21</b>	<b>315,717.00</b>
<b>Total Liabilities</b>		
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	131,910,258.26	1,466,584.00
Restricted for:		
State Categorical Programs	428,528.06	6,414.00
Debt Service	664,910.56	
Capital Projects	7,039,527.97	103,536.00
Other Purposes		133,435.00
Unrestricted	291,894.71	652,252.00
	<b>140,335,119.56</b>	<b>2,362,221.00</b>
<b>Total Net Assets</b>		
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 168,452,795.77</b>	<b>\$ 2,677,938.00</b>

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

**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
June 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 42,696,989.19	\$ 603,298.42	\$	\$
Pupil Personnel Services	2,471,979.15			
Instructional Media Services	1,318,790.87			
Instruction and Curriculum Development Services	1,270,980.19			
Instructional Staff Training Services	1,502,528.27			
Instruction Related Technology	960,729.47			
Board of Education	384,561.38			
General Administration	314,111.77			
School Administration	5,169,820.42			
Facilities Acquisition and Construction	1,289,264.49			2,093,681.38
Fiscal Services	374,623.07			
Food Services	3,488,132.11	718,518.55	1,975,882.82	
Central Services	1,089,577.97			
Pupil Transportation Services	4,319,507.47	48,476.34	1,779,497.00	
Operation of Plant	7,721,589.66			
Maintenance of Plant	1,481,111.25			
Administrative Technology Services	318,502.01			
Community Services	521,319.57			
Interest on Long-Term Debt	953,957.61			140,020.03
Unallocated Depreciation Expense	4,294,783.38			
<b>Total Primary Government</b>	<b>\$ 81,942,859.30</b>	<b>\$ 1,370,293.31</b>	<b>\$ 3,755,379.82</b>	<b>\$ 2,233,701.41</b>
<b>Component Units</b>				
Foundation and Charter Schools	<b>\$ 2,389,872.00</b>	<b>\$ 0.00</b>	<b>\$ 130,065.00</b>	<b>\$ 124,729.00</b>

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

**Total General Revenues**

**Change in Net Assets**

Net Assets - Beginning

**Net Assets - Ending**

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

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Units</u>
<u>Activities</u>	
\$ (42,093,690.77)	\$
(2,471,979.15)	
(1,318,790.87)	
(1,270,980.19)	
(1,502,528.27)	
(960,729.47)	
(384,561.38)	
(314,111.77)	
(5,169,820.42)	
804,416.89	
(374,623.07)	
(793,730.74)	
(1,089,577.97)	
(2,491,534.13)	
(7,721,589.66)	
(1,481,111.25)	
(318,502.01)	
(521,319.57)	
(813,937.58)	
(4,294,783.38)	
<u>(74,583,484.76)</u>	
	<u>(2,135,078.00)</u>
45,955,465.80	
19,623,872.07	
15,193,869.69	2,154,727.00
(55,749.26)	12,825.00
788,333.81	937.00
<u>81,505,792.11</u>	<u>2,168,489.00</u>
6,922,307.35	33,411.00
<u>133,412,812.21</u>	<u>2,328,810.00</u>
<u>\$ 140,335,119.56</u>	<u>\$ 2,362,221.00</u>

**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2009**

	General Fund	Capital Projects - Local Capital Improvement Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 7,109,928.90	\$ 8,767,851.62
Investments	69,589.07	189,459.98
Accounts Receivable	221,669.28	
Due from Other Funds	186,232.84	
Due from Other Agencies	21,881.00	
Inventories	49,821.77	
	<b>TOTAL ASSETS</b>	<b>TOTAL ASSETS</b>
	<b>\$ 7,659,122.86</b>	<b>\$ 8,957,311.60</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Salaries and Benefits Payable	\$ 393,718.93	\$
Payroll Deductions and Withholdings	1,133,067.39	
Accounts Payable	287,805.17	508.16
Construction Contracts Payable		723,457.90
Construction Contracts Payable - Retainage		1,257,980.14
Due to Other Funds		
Due to Other Agencies	11,259.75	
Deferred Revenue	8,298.52	
	<b>Total Liabilities</b>	<b>Total Liabilities</b>
	<b>1,834,149.76</b>	<b>1,981,946.20</b>
Fund Balances:		
Reserved for State Categorical Programs	428,528.06	
Reserved for Encumbrances		6,975,365.40
Reserved for Debt Service		
Unreserved, Reported in:		
General Fund	5,396,445.04	
Special Revenue Funds		
Capital Projects Funds		
	<b>Total Fund Balances</b>	<b>Total Fund Balances</b>
	<b>5,824,973.10</b>	<b>6,975,365.40</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,659,122.86</b>	<b>\$ 8,957,311.60</b>

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

Other Governmental Funds	Total Governmental Funds
<u>                    </u>	<u>                    </u>
\$ 753,320.67	\$ 16,631,101.19
54,095.29	313,144.34
12,121.11	233,790.39
	186,232.84
43,244.22	65,125.22
90,774.26	140,596.03
<u>                    </u>	<u>                    </u>
<u>\$ 953,555.55</u>	<u>\$ 17,569,990.01</u>
\$	\$ 393,718.93
7,621.27	1,140,688.66
26,265.28	314,578.61
	723,457.90
	1,257,980.14
186,232.84	186,232.84
	11,259.75
	8,298.52
<u>                    </u>	<u>                    </u>
<u>220,119.39</u>	<u>4,036,215.35</u>
	428,528.06
8,247.33	6,983,612.73
664,910.56	664,910.56
	5,396,445.04
4,363.03	4,363.03
55,915.24	55,915.24
<u>                    </u>	<u>                    </u>
<u>733,436.16</u>	<u>13,533,774.66</u>
<u>\$ 953,555.55</u>	<u>\$ 17,569,990.01</u>

**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
June 30, 2009**

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 13,533,774.66</b>
Amounts reported for governmental activities in the statement of net assets 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.	150,174,079.43
Debt issuance costs are not expensed in the government-wide statements, but are reported as deferred charges and amortized over the life of the debt.	894,959.17
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:	
Bonds Payable	\$ 1,555,000.00
Certificates of Participation Payable	16,708,821.17
Postemployment Healthcare Benefits Payable	1,218,988.00
Compensated Absences Payable	4,784,884.53
	(24,267,693.70)
<b>Total Net Assets - Governmental Activities</b>	<b>\$ 140,335,119.56</b>

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

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**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
June 30, 2009**

	General Fund	Capital Projects - Local Capital Improvement Fund
<b>Revenues</b>		
Intergovernmental:		
Federal Direct	\$ 44,762.01	\$
Federal Through State and Local	115,599.87	
State	12,119,824.92	
Local:		
Property Taxes	44,683,470.84	19,354,217.57
Miscellaneous	2,713,857.16	189,161.59
	<b>59,677,514.80</b>	<b>19,543,379.16</b>
<b>Total Revenues</b>		
<b>Expenditures</b>		
Current - Education:		
Instruction	39,108,920.50	
Pupil Personnel Services	2,293,771.39	
Instructional Media Services	1,281,220.81	
Instruction and Curriculum Development Services	793,020.78	
Instructional Staff Training Services	794,199.04	
Instruction Related Technology	948,599.94	
Board of Education	377,057.63	
General Administration	225,251.81	
School Administration	5,010,345.60	
Facilities Acquisition and Construction		872,121.97
Fiscal Services	364,269.87	
Food Services	28,050.61	
Central Services	1,057,282.53	
Pupil Transportation Services	3,623,618.14	
Operation of Plant	7,637,692.35	
Maintenance of Plant	1,436,235.52	
Administrative Technology Services	313,303.97	
Community Services	511,261.54	
Fixed Capital Outlay:		
Facilities Acquisition and Construction		18,484,322.35
Other Capital Outlay	158,107.88	2,889,258.53
Debt Service:		
Principal		
Interest and Fiscal Charges	29,900.00	
	<b>65,992,109.91</b>	<b>22,245,702.85</b>
<b>Total Expenditures</b>		
<b>Deficiency of Revenues Over Expenditures</b>	<b>(6,314,595.11)</b>	<b>(2,702,323.69)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers In	1,916,793.59	
Transfers Out	(750,000.00)	(3,143,282.21)
	<b>1,166,793.59</b>	<b>(3,143,282.21)</b>
<b>Total Other Financing Sources (Uses)</b>		
<b>Net Change in Fund Balances</b>	<b>(5,147,801.52)</b>	<b>(5,845,605.90)</b>
Fund Balances, Beginning	10,972,774.62	12,820,971.30
	<b>\$ 5,824,973.10</b>	<b>\$ 6,975,365.40</b>
<b>Fund Balances, Ending</b>		

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

Other Governmental Funds	Total Governmental Funds
<u>                    </u>	<u>                    </u>
\$	\$
	44,762.01
6,409,992.24	6,525,592.11
2,497,801.50	14,617,626.42
	64,037,688.41
718,523.67	<u>3,621,542.42</u>
<u>9,626,317.41</u>	<u>88,847,211.37</u>
2,482,971.17	41,591,891.67
109,197.10	2,402,968.49
	1,281,220.81
452,296.75	1,245,317.53
683,359.77	1,477,558.81
	948,599.94
	377,057.63
82,984.46	308,236.27
	5,010,345.60
417,142.52	1,289,264.49
	364,269.87
3,458,996.37	3,487,046.98
	1,057,282.53
	3,623,618.14
	7,637,692.35
	1,436,235.52
	313,303.97
	511,261.54
3,233,722.57	21,718,044.92
670,105.17	3,717,471.58
1,565,000.00	1,565,000.00
836,568.42	<u>866,468.42</u>
<u>13,992,344.30</u>	<u>102,230,157.06</u>
<u>(4,366,026.89)</u>	<u>(13,382,945.69)</u>
2,842,543.69	4,759,337.28
(866,055.07)	<u>(4,759,337.28)</u>
<u>1,976,488.62</u>	<u>                    </u>
(2,389,538.27)	(13,382,945.69)
<u>3,122,974.43</u>	<u>26,916,720.35</u>
<u>\$ 733,436.16</u>	<u>\$ 13,533,774.66</u>

**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
June 30, 2009**

**Net Change in Fund Balances - Governmental Funds** \$ (13,382,945.69)

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. The following details the amount of capital outlays in excess of depreciation expense in the current period:

Capital Outlay - Facilities Acquisition and Construction - Capitalized	\$21,718,044.92	
Capital Outlay - Other Capital Outlay - Capitalized	3,717,471.58	
Depreciation Expense	<u>(4,912,257.16)</u>	20,523,259.34

Donated capital assets increase net assets in the statement of activities, but do not provide current financial resources and, therefore, are not reported in the governmental funds. 33,360.63

The undepreciated cost of capital assets which are sold or otherwise disposed of is expensed in the statement of activities. However, the cost of these assets was recognized as an expenditure in the governmental funds in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (15,405.35)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The following details the amount of repayments in the current year:

Bonds Payable	245,000.00	
Certificates of Participation	<u>1,320,000.00</u>	1,565,000.00

Governmental funds report the effects of issuance costs, premiums, discounts, and similar items in the year the debt is issued, but these amounts are deferred and amortized over the life of the debt in the statement of activities.

Amortized Deferred Charges	(154,699.41)	
Amortized Premiums	<u>67,210.22</u>	(87,489.19)

Postemployment healthcare benefit costs are recorded in the statement of activities under the full accrual method, but in the governmental funds when due. This is the net increase in postemployment healthcare benefits liability for the current period. (1,218,988.00)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period. (494,484.39)

**Change in Net Assets - Governmental Activities** \$ 6,922,307.35

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

**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
FIDUCIARY FUNDS  
June 30, 2009**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 826,308.00</u>
<b>LIABILITIES</b>	
Internal Accounts Payable	<u>\$ 826,308.00</u>

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

**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ Reporting Entity

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Walton County School District is considered part of the Florida system of public education. The governing body of the school district is the Walton County District School Board which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Walton County.

Criteria for determining if other entities are potential component units which 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 entities for which the District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on the application of these criteria, the following component units are included within the District School Board's reporting entity:

- Blended Component Unit. The Walton County Public Education Finance Authority, Inc. (Authority), was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 6. Due to the substantive economic relationship between the Walton County District School Board and the Authority, the financial activities of the Authority are included in the accompanying basic financial statements. Separate financial statements for the Authority are not published.
- Discretely Presented Component Units. The component unit columns in the government-wide financial statements include the financial data of the District's other component units.

The Walton Education Foundation, Inc., is a separate, not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. The Foundation is considered to be a component unit of the District because the District must approve all members of the Foundation Board, and the District has the ability to impose its will on the Foundation. It is considered to be a discretely presented component unit because the two boards are not the same.

The Seaside School, Inc., and the Walton Academy, Inc., are separate, not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, and Section 1002.33, Florida Statutes. These charter schools operate under charters approved by their sponsor, the Walton County District School Board, and are considered component units of the District since they are fiscally dependent on the District to levy taxes for their support.

The Foundation's and the charter schools' financial reports are filed in the District's administrative office.

➤ Basis of Presentation

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the District as a

**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

whole. These statements include the nonfiduciary financial activity of the primary government and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the pupil transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

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. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The effects of interfund activity have been eliminated from the government-wide financial statements.

Fund Financial Statements - Fund financial statements report detailed information about the District in the governmental and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental 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.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following fiduciary fund type:

- 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.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting, as are the fiduciary funds financial statements. 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

**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 45 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, postemployment healthcare benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The Walton Education Foundation, Inc., is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

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

➤ **Deposits and Investments**

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 90 days or less. Investments classified as cash equivalents include amounts placed in money market mutual funds, and with the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP) which, effective July 1, 2009, is known as Florida PRIME.

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.

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

The District's investments in LGIP, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, 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 0.51370946 at June 30, 2009. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to LGIP, 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 LGIP.

**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Investments made locally consist of money market mutual funds and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at the last invoice cost, which approximates the first-in, first-out basis, except that United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than when purchased.

➤ 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 assets 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. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	7 - 35 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 25 years
Motor Vehicles	5 - 10 years
Computer Software	5 years

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

➤ 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 assets. Certificates of Participation (Certificates) premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the Certificates. Certificates payable are reported net of the applicable premium or discount.

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

**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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.

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

➤ State Revenue Sources

Revenues from State sources for current operations are primarily from 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 nine 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 categorical educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical 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.

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

➤ District Property Taxes

The School 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 Walton County Property Appraiser, and property taxes are collected by the Walton County Tax Collector.

The School Board adopted the 2008 tax levy on September 16, 2008. 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

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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 Walton 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.

➤ 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.

## **2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

The Board follows procedures established by State statutes and State Board of Education 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 State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School 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 and other contract commitments are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

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**3. INVESTMENTS**

As of June 30, 2009, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Local Government Surplus Funds Trust		
Fund Investment Pool (LGIP)	46 Day Average	\$ 6,936,993.33
Fund B Surplus Funds Trust Fund (Fund B)	6.87 Year Average	286,883.91
Debt Service Accounts	6 Months	26,260.43
RidgeWorth Institutional U.S. Treasury Securities		
Money Market Fund	48 Day Average	4,709,000.00
First American Treasury Obligations Fund	46 Day Average	31,139.95
Total Investments, Primary Government		<u>\$ 11,990,277.62</u>

Note: The District considers investments which have original maturities of 90 days or less to be cash equivalents.

Interest Rate Risk

- Section 218.415, Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District’s investment policy does not limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.
- LGIP had a weighted average days to maturity (WAM) of 46 days at June 30, 2009. 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. Fund B had a weighted average life (WAL) of 6.87 years. A portfolio’s WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2009. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL.

Credit Risk

- The District’s investment policy limits investments to bids from qualified depositories; certificates of deposit; time deposits; securities of the United States Government; State managed cooperative investment plans; Securities and Exchange Commission registered money market funds with the highest quality rating from a nationally recognized rating agency; and other investments authorized by Section 218.415, Florida Statutes.
- The District’s investments in the SBA Debt Service Accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing credit risk for this account.
- As of June 30, 2009, the District’s investment in LGIP is rated AAAM by Standard & Poor’s. Fund B is unrated.

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- The District's investment in the RidgeWorth Institutional U.S. Treasury Securities Money Market Fund and the First American Treasury Obligations Fund are rated AAAM by Standard & Poor's.

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 5,859,959.86	\$	\$	\$ 5,859,959.86
Land Improvements - Nondepreciable	83,602.06			83,602.06
Construction in Progress	37,706,418.92	21,704,583.92	21,604,162.18	37,806,840.66
<b>Total Capital Assets Not Being Depreciated</b>	<b>43,649,980.84</b>	<b>21,704,583.92</b>	<b>21,604,162.18</b>	<b>43,750,402.58</b>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,157,053.68	407,929.32		4,564,983.00
Buildings and Fixed Equipment	104,492,808.85	21,604,162.18		126,096,971.03
Furniture, Fixtures, and Equipment	11,328,164.98	1,729,198.46	476,027.90	12,581,335.54
Motor Vehicles	6,948,793.99	1,613,389.85	414,060.00	8,148,123.84
Computer Software	1,379,015.98	13,775.58	103,677.02	1,289,114.54
<b>Total Capital Assets Being Depreciated</b>	<b>128,305,837.48</b>	<b>25,368,455.39</b>	<b>993,764.92</b>	<b>152,680,527.95</b>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,172,661.04	270,809.00		2,443,470.04
Buildings and Fixed Equipment	26,861,543.08	2,528,119.60		29,389,662.68
Furniture, Fixtures, and Equipment	7,979,768.65	1,369,890.15	460,622.55	8,889,036.25
Motor Vehicles	4,182,813.59	617,473.78	414,060.00	4,386,227.37
Computer Software	1,126,167.15	125,964.63	103,677.02	1,148,454.76
<b>Total Accumulated Depreciation</b>	<b>42,322,953.51</b>	<b>4,912,257.16</b>	<b>978,359.57</b>	<b>46,256,851.10</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>85,982,883.97</b>	<b>20,456,198.23</b>	<b>15,405.35</b>	<b>106,423,676.85</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 129,632,864.81</b>	<b>\$ 42,160,782.15</b>	<b>\$ 21,619,567.53</b>	<b>\$ 150,174,079.43</b>

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Depreciation expense was charged to functions as follows:

Function	Amount
<b>GOVERNMENTAL ACTIVITIES</b>	
Pupil Transportation Services	\$ 617,473.78
Unallocated	4,294,783.38
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 4,912,257.16</b>

**5. CHANGES IN SHORT-TERM DEBT**

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

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
<b>GOVERNMENTAL ACTIVITIES</b>				
Tax Anticipation Note	\$	\$ 5,000,000	\$ 5,000,000	\$

In November 2008, the District acquired \$5,000,000 by issuing a tax anticipation note to meet current operating needs pending receipt of property tax proceeds. The District repaid the note on February 4, 2009, at par plus interest of \$29,900.

**6. CERTIFICATES OF PARTICIPATION**

On June 1, 1999, the District entered into a financing arrangement characterized as a master lease-purchase agreement, with the Walton County Public Education Finance Authority, Inc. (Authority), to issue Certificates of Participation (Certificates) at that time and to provide a vehicle for future Certificate financings. Through such arrangements, the District secured financing for various educational facilities. Such financings are repaid from the proceeds of rents paid by the District. The following schedule describes the current status of these Certificates as of June 30:

Issue	Original Amount	Principal		Refunded By Series	Balance 6-30-09
		Paid	Refunded		
1999	\$ 25,960,000	\$ 9,915,000	\$ 16,045,000	2005	\$
2005	16,660,000	340,000			16,320,000

As a condition of the financing arrangement, the District has given a ground lease on District property to the Authority with a rental fee of \$10 per year. The term of the ground lease ends on the earlier of the date on which all the Series 1999 and 2005 Certificates have been paid in full, or June 30, 2029. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent

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payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the Certificates until the end of the ground lease.

The District properties included in the ground lease under this arrangement include properties at Freeport and South Walton High Schools.

The lease payments are payable by the District semiannually, on July 1 and January 1, at interest rates ranging from 3.00 to 5.25 percent. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

Fiscal Year Ending June 30	Total	Principal	Interest
2010	\$ 2,065,217.50	\$ 1,380,000.00	\$ 685,217.50
2011	2,068,817.50	1,425,000.00	643,817.50
2012	2,067,505.00	1,470,000.00	597,505.00
2013	2,067,525.00	1,520,000.00	547,525.00
2014	2,064,325.00	1,570,000.00	494,325.00
2015-2019	10,329,612.50	8,955,000.00	1,374,612.50
<b>Total Minimum Lease Payments</b>	<b>20,663,002.50</b>	<b>16,320,000.00</b>	<b>4,343,002.50</b>
<b>Plus: Unamortized Premium</b>	<b>388,821.17</b>	<b>388,821.17</b>	
<b>Total Certificates of Participation</b>	<b>\$ 21,051,823.67</b>	<b>\$ 16,708,821.17</b>	<b>\$ 4,343,002.50</b>

**7. BONDS PAYABLE**

Bonds payable at June 30, 2009, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
<b>State School Bonds:</b>			
Series 2005A	\$ 720,000	5.00	2016
Series 2005B, Refunding	150,000	5.00	2018
<b>District Revenue Bonds:</b>			
Series 1998	685,000	4.83	2013
<b>Total Bonds Payable</b>	<b>\$ 1,555,000</b>		

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

➤ **State School Bonds**

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

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➤ **District Revenue Bonds**

These bonds are generally referred to as Capital Improvement Revenue Notes and are authorized by Chapter 65-2373, Laws of Florida, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Walton County from the State’s Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District has established the sinking fund and has accumulated and maintained adequate resources in the sinking fund.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

<u>Fiscal year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2010	\$ 143,500.00	\$ 100,000.00	\$ 43,500.00
2011	143,500.00	105,000.00	38,500.00
2012	148,250.00	115,000.00	33,250.00
2013	147,500.00	120,000.00	27,500.00
2014	146,500.00	125,000.00	21,500.00
2015-2018	<u>331,750.00</u>	<u>305,000.00</u>	<u>26,750.00</u>
Total State School Bonds	<u>1,061,000.00</u>	<u>870,000.00</u>	<u>191,000.00</u>
District Revenue Bonds:			
2010	189,221.50	160,000.00	29,221.50
2011	186,372.75	165,000.00	21,372.75
2012	188,161.75	175,000.00	13,161.75
2013	<u>189,467.75</u>	<u>185,000.00</u>	<u>4,467.75</u>
Total District Revenue Bonds	<u>753,223.75</u>	<u>685,000.00</u>	<u>68,223.75</u>
Total	<u>\$ 1,814,223.75</u>	<u>\$ 1,555,000.00</u>	<u>\$ 259,223.75</u>

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**8. CHANGES IN LONG-TERM LIABILITIES**

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Certificates of Participation Payable	\$ 17,640,000.00	\$	\$ 1,320,000.00	\$ 16,320,000.00	\$ 1,380,000.00
Unamortized Premium	456,031.39		67,210.22	388,821.17	67,210.22
Total Certificates of Participation Payable	18,096,031.39		1,387,210.22	16,708,821.17	1,447,210.22
Bonds Payable	1,800,000.00		245,000.00	1,555,000.00	260,000.00
Postemployment Healthcare Benefits Payable		1,630,300.00	411,312.00	1,218,988.00	
Compensated Absences Payable	4,290,400.14	1,012,177.68	517,693.29	4,784,884.53	517,693.29
Total Governmental Activities	<u>\$ 24,186,431.53</u>	<u>\$ 2,642,477.68</u>	<u>\$ 2,561,215.51</u>	<u>\$ 24,267,693.70</u>	<u>\$ 2,224,903.51</u>

For the governmental activities, compensated absences and postemployment healthcare benefits are generally liquidated with resources of the General Fund.

**9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 186,232.84	\$
Nonmajor Governmental		186,232.84
Total	<u>\$ 186,232.84</u>	<u>\$ 186,232.84</u>

The interfund receivables and payables represent temporary loans for payroll costs.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 1,916,793.59	\$ 750,000.00
Capital Projects:		
Local Capital Improvement		3,143,282.21
Nonmajor Governmental	2,842,543.69	866,055.07
Total	<u>\$ 4,759,337.28</u>	<u>\$ 4,759,337.28</u>

The District made transfers from the Capital Projects – Local Capital Improvement Fund to Nonmajor Governmental Funds for debt service payments and to the General Fund to supplement maintenance operations and pay for other advertised projects and property and casualty insurance premiums. The District transferred Charter School Capital Outlay moneys from the Nonmajor Governmental Funds to the General Fund before subsequently disbursing the moneys to the charter schools. The District transferred

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moneys from the General Fund to the Nonmajor Governmental Funds to supplement food service operations.

**10. RESERVE FOR 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 Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

Construction contract commitments totaling \$12,042,544.24 are not reported as encumbered in the Capital Projects – Local Capital Improvement Fund since the funding source for these commitments had not been encumbered at June 30, 2009. These commitments are included in a subsequent note on Construction Contract Commitments.

**11. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District’s State revenue for the 2008-09 fiscal year:

Source	Amount
Categorical Educational Programs:	
Class Size Reduction	\$ 6,442,952.00
Transportation	1,779,497.00
Instructional Materials	680,148.00
School Recognition	504,653.00
Voluntary Prekindergarten	343,009.13
Other	178,907.72
Gross Receipts Tax (Public Education Capital Outlay)	1,849,561.00
Florida Education Finance Program	1,645,898.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	236,160.41
Workforce Development Program	164,775.00
Discretionary Lottery Funds	156,177.00
Charter School Capital Outlay Funds	145,480.00
Miscellaneous	490,408.16
	\$ 14,617,626.42
<b>Total</b>	<b>\$ 14,617,626.42</b>

Accounting policies relating to certain State revenue sources are described in Note 1.

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**12. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2008 tax roll for the 2008-09 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	1.782	\$ 29,811,759.00
Basic Discretionary Local Effort	0.498	8,331,232.00
Supplemental Discretionary Local Effort	0.044	736,093.00
Voted School Tax:		
Additional Millage	0.500	8,364,691.00
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.223</u>	<u>20,460,034.00</u>
 Total	 <u>4.047</u>	 <u>\$67,703,809.00</u>

**13. FLORIDA RETIREMENT SYSTEM**

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. 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), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military 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, and 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.

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As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer 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 PEORP vest after one year of service. There were 61 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$422,443.83.

**FRS Retirement Contribution Rates**

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2008-09 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of PEORP.

(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 for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$3,501,469.54, \$3,783,599.71, and \$3,951,634.41, respectively, which were equal to the required contributions for each fiscal year.

The financial statements and other supplementary information of FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained from the Florida Department of Financial Services. Also, an annual report on 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.

**14. POSTEMPLOYMENT HEALTHCARE BENEFITS**

Effective for the 2008-09 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided by the District. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$18,881,231 at the

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July 1, 2008, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment healthcare benefits liability at the date of transition.

***Plan Description.*** The Postemployment Healthcare Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the 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 Postemployment Healthcare Benefits Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

***Funding Policy.*** The District's health plan contribution requirements 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 Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 125 retirees received postemployment healthcare benefits. The District provided required contributions of \$411,312 toward the annual OPEB cost, comprised of payments made on behalf of retirees net of retiree contributions totaling \$778,972, which represents 2.4 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 Governmental Accounting Standards Board 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 year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for postemployment healthcare benefits:

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Description	Amount
Normal Cost (service cost for one year)	\$ 987,203
Amortization of Unfunded Actuarial Accrued Liability	600,996
Interest on Normal Cost and Amortization	42,101
Annual Required Contribution	1,630,300
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	
Annual OPEB Cost (Expense)	1,630,300
Contribution Toward the OPEB Cost	(411,312)
Increase in Net OPEB Obligation	1,218,988
Net OPEB Obligation, Beginning of Year	
Net OPEB Obligation, End of Year	\$ 1,218,988

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 (first year of implementation), was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7-1-08	\$ 0	0 %	\$ 0
2008-09	1,630,300	25.23 %	1,218,988

***Funded Status and Funding Progress.*** As of October 1, 2007, the most recent valuation date, the actuarial accrued liability for benefits was \$18,881,231, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$18,881,231 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$32,872,430 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 57.44 percent.

Actuarial valuations of an ongoing 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 the healthcare cost trends. Amounts determined regarding the funded status of the 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 plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

***Actuarial Methods and Assumptions.*** Projections of benefits for financial reporting purposes are based on the substantive 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 initial OPEB actuarial valuation as of October 1, 2007, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and the District’s 2008-09 fiscal year annual required contribution. This method was selected because it is the most common method used for government pension valuations and spreads the cost evenly as a percent of pay throughout the collective careers of those in the covered workforce. 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 4 percent per year, and an annual healthcare cost trend rate of 9 percent initially for the 2008-09 fiscal year, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after eight years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 29 years.

**15. CONSTRUCTION CONTRACT COMMITMENTS**

The following is a summary of major construction contract commitments remaining at fiscal year-end:

Project	Contract Amount	Completed to Date	Balance Committed
Walton High School:			
Architect	\$ 1,969,182.68	\$ 1,950,705.72	\$ 18,476.96
Contractor	25,632,448.06	25,159,602.65	472,845.41
Emerald Coast Middle School:			
Architect	1,532,180.02	1,222,592.75	309,587.27
Contractor	18,217,000.00		18,217,000.00
Total	<u>\$ 47,350,810.76</u>	<u>\$ 28,332,901.12</u>	<u>\$ 19,017,909.64</u>

**16. 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 Walton County District School Board is a member of the Panhandle Area Educational Consortium – Risk Management Consortium under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers’ compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member

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**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

assessments (premiums) and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Washington County District School Board serves as fiscal agent for the Consortium. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

The District provides health and hospitalization coverage through purchased commercial insurance with minimum deductibles for each line of coverage.

**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2009**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 151,918.00	\$ 231,918.00	\$ 44,762.01	\$ (187,155.99)
Federal Through State and Local	75,000.00	75,000.00	115,599.87	40,599.87
State	13,731,452.00	12,748,686.03	12,119,824.92	(628,861.11)
Local:				
Property Taxes	44,408,502.00	45,058,502.00	44,683,470.84	(375,031.16)
Miscellaneous	1,222,231.00	1,960,720.50	2,713,857.16	753,136.66
<b>Total Revenues</b>	<b>59,589,103.00</b>	<b>60,074,826.53</b>	<b>59,677,514.80</b>	<b>(397,311.73)</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	37,575,981.62	39,212,779.72	39,108,920.50	103,859.22
Pupil Personnel Services	2,277,049.26	2,301,729.62	2,293,771.39	7,958.23
Instructional Media Services	1,343,239.49	1,315,192.48	1,281,220.81	33,971.67
Instruction and Curriculum Development Services	771,473.30	833,114.27	793,020.78	40,093.49
Instructional Staff Training Services	903,209.68	831,735.33	794,199.04	37,536.29
Instruction Related Technology	1,438,535.67	1,331,538.29	948,599.94	382,938.35
Board of Education	395,694.42	398,811.76	377,057.63	21,754.13
General Administration	233,005.34	235,598.08	225,251.81	10,346.27
School Administration	4,437,813.36	5,011,641.18	5,010,345.60	1,295.58
Fiscal Services	373,417.49	377,565.36	364,269.87	13,295.49
Food Services		40,891.87	28,050.61	12,841.26
Central Services	1,101,348.37	1,077,094.78	1,057,282.53	19,812.25
Pupil Transportation Services	3,884,371.08	3,628,240.84	3,623,618.14	4,622.70
Operation of Plant	6,797,564.76	7,657,026.02	7,637,692.35	19,333.67
Maintenance of Plant	1,578,436.81	1,457,900.43	1,436,235.52	21,664.91
Administrative Technology Services	305,569.46	317,562.18	313,303.97	4,258.21
Community Services	462,248.66	514,540.47	511,261.54	3,278.93
Fixed Capital Outlay:				
Other Capital Outlay		158,107.88	158,107.88	
Debt Service:				
Interest and Fiscal Charges	80,000.00	30,000.00	29,900.00	100.00
<b>Total Expenditures</b>	<b>63,958,958.77</b>	<b>66,731,070.56</b>	<b>65,992,109.91</b>	<b>738,960.65</b>
<b>Deficiency of Revenues Over Expenditures</b>	<b>(4,369,855.77)</b>	<b>(6,656,244.03)</b>	<b>(6,314,595.11)</b>	<b>341,648.92</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,804,934.00	1,971,736.59	1,916,793.59	(54,943.00)
Transfers Out	(575,000.00)	(750,000.00)	(750,000.00)	
<b>Total Other Financing Sources (Uses)</b>	<b>1,229,934.00</b>	<b>1,221,736.59</b>	<b>1,166,793.59</b>	<b>(54,943.00)</b>
<b>Net Change in Fund Balance</b>	<b>(3,139,921.77)</b>	<b>(5,434,507.44)</b>	<b>(5,147,801.52)</b>	<b>286,705.92</b>
Fund Balance, Beginning	10,972,774.62	10,972,774.62	10,972,774.62	
<b>Fund Balance, Ending</b>	<b>\$ 7,832,852.85</b>	<b>\$ 5,538,267.18</b>	<b>\$ 5,824,973.10</b>	<b>\$ 286,705.92</b>

**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -  
POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN  
For the Fiscal Year Ended June 30, 2009**

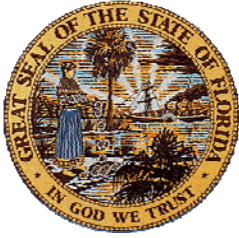
Actuarial Valuation Date	Actuarial Value of Assets  (A)	Actuarial Accrued Liability (AAL) - Entry Age (B)	Unfunded AAL (UAAL)  (B-A)	Funded Ratio  (A/B)	Covered Payroll  (C)	UAAL as a Percentage of Covered Payroll  [(B-A)/C]
October 1, 2007	\$ 0	\$ 18,881,231	\$ 18,881,231	0 %	\$ 32,872,430	57.4%

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2009**

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
<b>United States Department of Agriculture:</b>				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 411,973.13	\$
National School Lunch Program	10.555	300	1,271,671.90	
Summer Food Service Program for Children	10.559	323	38,227.79	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	207,205.00	
<b>Total Child Nutrition Cluster</b>			<u>1,929,077.82</u>	
Florida Department of Financial Services:				
Secure Payments for States and Counties Containing Federal Lands	10.665	None	7,529.62	
<b>Total United States Department of Agriculture</b>			<u>1,936,607.44</u>	
<b>United States Department of Education:</b>				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	1,163,532.07	
Special Education - Preschool Grants	84.173	267	52,228.94	
University of South Florida:				
Special Education - Grants to States	84.027	None	50,000.00	
<b>Total Special Education Cluster</b>			<u>1,265,761.01</u>	
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	1,852,004.59	90,696.12
Career and Technical Education - Basic Grants to States	84.048	151,161	156,121.00	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	28,368.68	
Education Technology State Grants	84.318	121,122	755,788.35	
Transition to Teaching	84.350	227	16,371.80	
English Language Acquisition Grants	84.365	102	28,989.62	
Improving Teacher Quality State Grants	84.367	224	328,555.95	
School Improvement Grants	84.377	126	96,883.10	24,016.96
<b>Total United States Department of Education</b>			<u>4,528,844.10</u>	<u>114,713.08</u>
<b>Corporation for National and Community Service:</b>				
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	234	2,070.32	
<b>United States Department of Homeland Security:</b>				
Indirect:				
Florida Department of Education:				
Homeland Security Grant Program	97.067	532	21,881.00	
<b>United States Department of Defense:</b>				
Direct:				
Air Force Junior Reserve Officers Training Corps	None	N/A	44,762.01	
<b>Total Expenditures of Federal Awards</b>			<u>\$ 6,534,164.87</u>	<u>\$ 114,713.08</u>

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. Represents the amount of donated food received during the fiscal year. Commodities are valued at fair value as determined at the time of donation.



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*

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Walton County District School Board as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to 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. Other auditors audited the financial statements of the school internal funds and the charter schools included in the aggregate discretely presented component unit information, as described in our report on the Walton County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted

accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **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.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA

November 18, 2009



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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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 WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

### Compliance

We have audited the Walton County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2009. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 the OMB's *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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, 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. 1.

## Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA

November 18, 2009

**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	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 that are not considered to be material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section ____510(a) of OMB <i>Circular A-133</i> ?	Yes
Identification of major programs:	Special Education Cluster (CFDA Nos. 84.027 and 84.173) and Education Technology State Grants (CFDA No. 84.318)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**WALTON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**ADDITIONAL MATTERS**

**Finding No. 1: Adult General Education Courses**

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2008-152, Laws of Florida, Paragraph 120, states that from the funds provided in Specific Appropriation 9A and 120, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to the school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner.

As similarly noted in our report No. 2009-154, the District needs to improve controls over enrollment reporting. The District reported 50,244 hours for adult general education classes. We tested the 7,206 hours reported to FDOE for 26 students enrolled in 41 adult general education classes, and noted exceptions in the enrollment reporting for 24 of the classes tested. As a result of errors made by District personnel when entering class calendars into the student records system and from incorrectly entering student entry and exit dates, the District overreported enrollment by 3,208 hours. Since the District's future funding may be based, in part, on enrollment data it submits to FDOE, it is important that such data be submitted correctly.

**Recommendation: The District should enhance its controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.**

**Finding No. 2: Collection of Social Security Numbers**

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, that it is necessary to collect social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be illegally used to acquire sensitive personal information, which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Section 119.071(5)(a), Florida Statutes, provides that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so or it is imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section of law requires that the District provide an individual with a written statement indicating the purpose for collecting the individual's SSN. Further, this section provides that SSNs collected by the District may not be used by the District for any purpose other than the purpose provided in the written statement.

The District obtains SSNs from employees and others for various reasons such as for employee insurance and withholding taxes, contractor background checks, and new employee citizenship verifications, and provides the individuals with written statements indicating the purposes for collecting the SSNs. Also, the District receives student SSNs on registration, emergency, and vocational rehabilitation application forms; however, the District did not provide written statements indicating the purposes for collecting the student SSNs because District personnel were not aware that the above law applied to students and parents. Subsequent to our discussions, the District began reevaluating its SSN collection process, and is developing procedures to provide written notifications of the purposes for SSNs received from students.

**Recommendation:** The District should continue its efforts to comply with Section 119.071(5)(a), Florida Statutes, and properly notify individuals of the need for and use of student social security numbers.

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Federal Awards Finding No. 1:**

**Federal Agency:** United States Department of Education

**Pass-Through Entity:** Florida Department of Education

**Programs:** ARRA – Education for Homeless Children and Youth, Recovery Act (CFDA No. 84.387); Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389); Special Education Grants to States, Recovery Act (CFDA No. 84.391); Special Education – Preschool Grants, Recovery Act (CFDA No. 84.392); State Fiscal Stabilization Fund – Education State Grants, Recovery Act (CFDA No. 84.394); and State Fiscal Stabilization Fund – Government Services, Recovery Act (CFDA No. 84.397)

**Finding Type:** Noncompliance

**Questioned Costs:** Not Applicable

**Reporting and Special Tests and Provisions.** The American Recovery and Reinvestment Act (ARRA) provides funding, in part, to school districts, with the overall goals of improving schools and achievement and producing better results for students. To support the most effective use of the funds and measure results, recipients are required to report certain information tied to the assurance, principles, and strategies associated with ARRA Federal programs. The United States Federal Government maintains a database, known as the Central Contractor Registration (CCR), to collect, validate, store and disseminate information relating to Federal awards, including ARRA Federal programs. Both current and potential Federal recipients are required to register in CCR in order to receive Federal grant awards. Recipients are required to initially register in CCR to provide basic information relevant to procurement and financial transactions, and must update or renew their registration at least once per year to maintain an active status.

The Florida Department of Education (FDOE) approved ARRA Federal funding for the District to administer, as shown in the table below:

Grant (CFDA Number)	Award Amount
ARRA - Homeless Children (84.387)	\$ 48,410
ARRA – Title I (84.389)	437,555
ARRA – Special Education (84.391)	1,530,295
ARRA – Special Education Preschool (84.392)	48,184
ARRA – State Fiscal Stabilization – Education (84.394)	2,112,080
ARRA – State Fiscal Stabilization – Government (84.397)	89,904

District records indicated that the award periods for these grants started on dates ranging from April 2009 through July 2009, and the grant periods ended on dates ranging from June 2010 through September 2011. Our review of District records and inquiry with District personnel disclosed that while the District had initially registered in CCR in March 2008, the registration expired in March 2009, because it had not been updated or renewed. Subsequent to our inquiries, in August 2009, District personnel renewed the District’s registration with CCR and indicated that the Chief Financial Officer would be responsible for future renewals with CCR. Without timely renewal in the CCR system, the District may be limited in its eligibility to receive ARRA Federal funds.

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**Recommendation:** The District should continue its efforts to ensure timely renewal in the Central Contractor Registration website on an annual basis as required.

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District Contact Person: Mr. Jim McCall, Chief Financial Officer

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2009-154.

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**MANAGEMENT’S RESPONSE**

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Management’s response is included as Exhibit A.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**

*WALTON COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2009*

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2009-154		No prior Federal audit findings.		

EXHIBIT A  
MANAGEMENT'S RESPONSE



WALTON COUNTY SCHOOL DISTRICT

CARLENE H. ANDERSON - SUPERINTENDENT OF SCHOOLS

145 PARK STREET, DEFUNIAK SPRINGS, FL 32435  
TELEPHONE 850-892-1100  
FAX 850-892-1191

November 18, 2009

David W. Martin, CPA  
Auditor General  
7282 Plantation Road, Suite 401  
Pensacola, FL 32504

Dear Mr. Martin:

In response to your preliminary and tentative audit findings for the fiscal year ended June 30, 2009, I submit the following explanations and corrective actions:

Finding No. 1: Adult General Education Courses.

The District has enhanced its controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education. Most of the corrective actions have already been presented to the auditor and to the Florida Department of Education. The assignment of responsibility for enrollment and coordination of the adult high school/adult education program to one staff member should be a significant factor in reducing errors. The District has also improved the coordination between school and district personnel regarding the development of class calendars.

Finding No. 2: Collection of Social Security Numbers.

The District is in the process of identifying all forms that currently ask the completer to provide his or her social security number. Efforts will then be continued to further ensure compliance with Section 119.071(5)(a).

Federal Award Finding No. 1: Reporting and Special Tests and Provisions/CCR Registration.

The District will renew the Central Contractor Registration on a timely basis as required.

I appreciate this opportunity to add to the information presented in your preliminary and tentative audit findings. As always, your staff was extremely professional and courteous.

Sincerely,

Carlene H. Anderson  
Superintendent of Schools

"COMMITTED TO EXCELLENCE IN STUDENT ACHIEVEMENT"

MILORED WILKERSON  
DISTRICT 1

WILLIAM LAIRD  
DISTRICT 2

SHARON ROBERTS  
DISTRICT 3

MARK D. DAVIS  
DISTRICT 4

DARRELL BARNHILL  
DISTRICT 5