

WASHINGTON COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2009



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENTS

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

	<u>District No.</u>
Vann Brock, Chair	1
Wayne C. Saunders, Vice Chair	2
John W. Hawkins to 11-17-08	3
Pamela S. Cates from 11-18-08	3
Terry Ellis	4
Susan G. Roberts	5

Calvin Stevenson, Superintendent to 11-17-08
Dr. Sandra M. Cook, Superintendent from 11-18-08

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 Janice M. Slonina, CPA, and the audit was supervised by Patricia S. Crutchfield, CPA. For the information technology portion of this audit, the audit team leader was Heidi G. Burns, CPA, CISA, and the supervisor was Nancy M. Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a material weakness as summarized below.

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.

MATERIAL WEAKNESS

Finding No. 1: The District had not established adequate monitoring procedures to ensure that amounts due from aggregate excess insurers are timely filed and received.

ADDITIONAL MATTERS

Finding No. 2: Improvements could be made to ensure that a complete physical inventory is taken of tangible personal property and appropriate follow-up is made for unlocated items.

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

Finding No. 4: The District had not implemented a formal ongoing security awareness training program to protect information technology (IT) resources.

Finding No. 5: The District's disaster recovery provisions needed improvement.

Finding No. 6: Certain IT security controls related to access and user authentication needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, WIA Cluster, Title I Grants to Local Educational Agencies, Migrant Education, Special Education Cluster, Federal Pell Grant, Twenty-First Century, and Mathematics and Science Partnerships 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 and internal control finding as summarized below.

Federal Awards Finding No. 1: The District needed to enhance procedures to ensure that it receives services before it pays for them, and maintains documentation of the process.

Audit Objectives and Scope

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

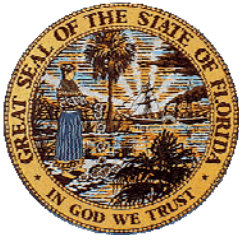
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;

- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2009-163.

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*.



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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 business-type activities, each major fund, and the aggregate remaining fund information of the Washington County District School Board, as of and for the fiscal year ended June 30, 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 14 percent of the assets and 37 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Washington County District School Board as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, 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 Washington 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 10) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 46 through 49) 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
February 24, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Washington County District School Board has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues; (b) provide an overview and analysis of the District's financial activities; (c) identify changes in the District's financial position; (d) identify material deviations from the approved budget; and (e) highlight significant issues in individual funds.

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.

FINANCIAL HIGHLIGHTS

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

- The District's total net assets increased by \$314,199.97. This change was attributable to the increase in net assets of the governmental activities of \$175,024.96 and an increase in net assets of business-type activities of \$139,175.01.
- During the current year, General Fund expenditures exceeded revenues by \$855,114.80. This may be compared to last year's results in which General Fund revenues exceeded expenditures by \$516,650.19.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

In addition to the basic financial statements, management's discussion and analysis, the budgetary comparison schedule, schedule of funding progress – postemployment healthcare benefits plan, and ten-year claims development information are included as required supplementary information.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type activities of the District presented on the accrual basis of accounting. The statement of net assets provides information about the District'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.

- Business-type activities – These activities account for the financial resources of the Panhandle Area Educational Consortium (PAEC), the PAEC – Risk Management Property/Casualty Program, a public entity risk pool, and the PAEC – Risk Management Health Program for which the District is fiscal agent.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entitywide perspective contained in the government-wide statements. All of the District's funds may be classified within one of three 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 utilize 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, Special Revenue – Other Fund, Special Revenue – ARRA Economic Stimulus Fund, and Capital Projects – Public Education Capital Outlay Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

- Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. Enterprise funds are appropriate for activities in which a fee is charged to external users of the District's goods and services.
- Internal service funds are used to report activities that provide goods and services to support the District's programs and functions through user charges. The District uses an internal service fund to account for the District's Health Self-Insurance Program. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, for those enterprise funds determined to be major. The District's major enterprise funds are the PAEC – Risk

Management Property/Casualty Fund, the PAEC – Risk Management Health Fund, and the PAEC – Programs Other Than Risk Management Fund. In addition, the internal service fund is a single column in the proprietary fund financial statements.

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

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

Notes to Financial Statements

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

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:

	Net Assets, End of Year					
	Governmental Activities		Business-Type Activities		Total	
	6-30-09	6-30-08	6-30-09	6-30-08	6-30-09	6-30-08
Current and Other Assets	\$ 16,009,254.96	\$ 22,309,994.03	\$21,983,131.12	\$24,081,979.63	\$37,992,386.08	\$46,391,973.66
Capital Assets	63,410,590.09	57,449,851.07	2,473,056.67	2,736,960.22	65,883,646.76	60,186,811.29
Total Assets	79,419,845.05	79,759,845.10	24,456,187.79	26,818,939.85	103,876,032.84	106,578,784.95
Long-Term Liabilities	4,921,007.81	4,889,238.44	6,575,265.52	6,607,699.48	11,496,273.33	11,496,937.92
Other Liabilities	2,971,159.37	3,517,953.75	2,267,765.08	4,737,258.19	5,238,924.45	8,255,211.94
Total Liabilities	7,892,167.18	8,407,192.19	8,843,030.60	11,344,957.67	16,735,197.78	19,752,149.86
Net Assets:						
Invested in Capital Assets -						
Net of Related Debt	63,160,590.09	57,184,851.07	2,473,056.67	2,736,960.22	65,633,646.76	59,921,811.29
Restricted	5,055,760.66	10,679,687.60			5,055,760.66	10,679,687.60
Unrestricted	3,311,327.12	3,488,114.24	13,140,100.52	12,737,021.96	16,451,427.64	16,225,136.20
Total Net Assets	\$ 71,527,677.87	\$ 71,352,652.91	\$15,613,157.19	\$15,473,982.18	\$87,140,835.06	\$86,826,635.09

The largest portion of the District's net assets (75 percent) reflects its investment in capital assets (e.g., land, buildings and fixed equipment, furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets (6 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (19 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		Business-Type Activities		Total	
	6-30-09	6-30-08	6-30-09	6-30-08	6-30-09	6-30-08
Program Revenues:						
Charges for Services	\$ 152,135,844	\$ 152,310,061	\$ 11,315,544.35	\$ 12,296,362.56	\$ 12,836,902.79	\$ 13,819,463.17
Operating Grants and Contributions	2,123,388.17	2,166,624.97	660,341.18	627,452.78	2,783,729.35	2,794,077.75
Capital Grants and Contributions	941,220.58	4,331,416.57			941,220.58	4,331,416.57
General Revenues:						
Property Taxes, Levied for Operational Purposes	6,172,393.63	6,007,349.68			6,172,393.63	6,007,349.68
Property Taxes, Levied for Capital Projects	1,824,609.09	2,107,327.56			1,824,609.09	2,107,327.56
Grants and Contributions Not Restricted to Specific Programs	28,768,061.92	30,610,111.33	9,838,527.64	12,085,199.62	38,606,589.56	42,695,310.95
Unrestricted Investment Earnings	9,670.28	511,933.46	(67,916.79)	561,439.37	(58,246.51)	1073,372.83
Miscellaneous	1,145,725.26	973,781.56	98,424.94	10,483.38	1,244,150.20	984,264.94
Total Revenues	42,506,427.37	48,231,645.74	21,844,921.32	25,580,937.71	64,351,348.69	73,812,583.45
Functions/Program Expenses:						
Instruction	22,857,827.56	22,920,905.18			22,857,827.56	22,920,905.18
Pupil Personnel Services	2,358,906.19	2,234,541.58			2,358,906.19	2,234,541.58
Instructional Media Services	550,491.65	608,317.12			550,491.65	608,317.12
Instruction and Curriculum Development Services	328,219.03	306,687.42			328,219.03	306,687.42
Instructional Staff Training Services	514,041.32	580,293.99			514,041.32	580,293.99
Instruction Related Technology	450,891.63	516,605.66			450,891.63	516,605.66
Board of Education	505,638.25	425,674.91			505,638.25	425,674.91
General Administration	487,122.03	533,003.26			487,122.03	533,003.26
School Administration	2,841,845.62	2,861,813.95			2,841,845.62	2,861,813.95
Facilities Acquisition and Construction	7,098.49	45,509.15			7,098.49	45,509.15
Fiscal Services	511,151.17	523,741.86			511,151.17	523,741.86
Food Services	1,784,604.93	1,794,015.43			1,784,604.93	1,794,015.43
Central Services	233,064.20	242,203.75			233,064.20	242,203.75
Pupil Transportation Services	2,304,284.32	2,348,791.57			2,304,284.32	2,348,791.57
Operation of Plant	2,359,159.10	2,378,035.39			2,359,159.10	2,378,035.39
Maintenance of Plant	988,014.95	1,278,526.60			988,014.95	1,278,526.60
Administrative Technology Services	161,593.08	131,664.30			161,593.08	131,664.30
Community Services	869,774.80	611,371.49			869,774.80	611,371.49
Interest on Long-Term Debt	13,271.31	14,177.45			13,271.31	14,177.45
Unallocated Depreciation Expense	2,020,473.53	2,093,458.36			2,020,473.53	2,093,458.36
Loss on Disposal of Capital Assets	39,482.26	55,991.57			39,482.26	55,991.57
Panhandle Area Educational Consortium - Risk Management Property/Casualty			9,166,596.90	9,787,070.59	9,166,596.90	9,787,070.59
Panhandle Area Educational Consortium - Risk Management Health			72,731.26	66,100.15	72,731.26	66,100.15
Panhandle Area Educational Consortium - Programs Other Than Risk Management			12,715,258.18	15,476,404.10	12,715,258.18	15,476,404.10
Total Expenses	42,186,955.42	42,505,329.99	21,954,586.34	25,329,574.84	64,141,541.76	67,834,904.83
Excess Before Transfers and Special Items	319,471.95	5,726,315.75	(109,665.02)	251,362.87	209,806.93	5,977,678.62
Transfers In (Out)	(144,446.99)	(222,726.91)	144,446.99	222,726.91		
Special Item - Consortium Assets Received from Santa Rosa County District School Board			104,393.04	62,884.41	104,393.04	62,884.41
Increase in Net Assets	\$ 175,024.96	\$ 5,503,588.84	\$ 139,175.01	\$ 536,974.19	\$ 314,199.97	\$ 6,040,563.03

While the net assets for the governmental activities of the District increased for both years, one notable difference for the 2008-09 fiscal year is a decrease in capital grants and contributions of \$3.4 million due primarily to a lack of new appropriations of Classrooms for Kids and Class Size Reduction Construction funding. Revenue from State sources for current operations was primarily received through the Florida Education Finance Program (FEFP) funding formula. FEFP revenues declined \$1.5 million due to the economic downturn, which has resulted in reduced State collections. In addition, investment income decreased \$502,263 due to declines in investment rates and an unrealized loss from recording a fair value adjustment to investments.

The net assets for the business-type activities of the District also increased for both years. The increase in net assets for the 2008-09 fiscal year is less than the 2007-08 fiscal year due, in part, to a decrease of \$2.2 million in Federal and State grants. Revenues from charges for services in the PAEC – Programs Other Than Risk Management also decreased by \$406,491 due to a decline in charges for services. In addition, investment income decreased \$629,356, which was due to declines in investment rates and an unrealized loss on investments.

Instruction expenses represent 54 percent of total governmental activities expenses of the District in the 2008-09 fiscal year. The amount of current year instruction expenses was consistent with the prior year.

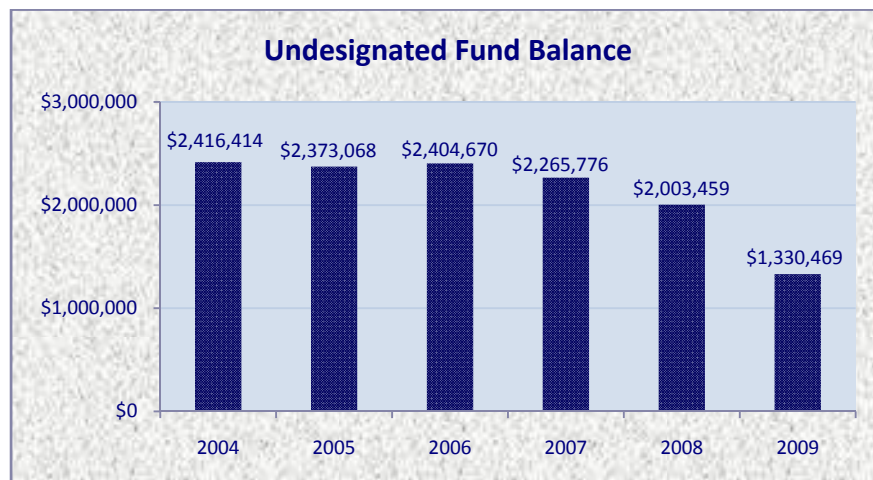
Purchased services in the business-type activities for the PAEC – Programs Other Than Risk Management for the 2008-09 fiscal year decreased \$3.5 million due a decrease in Federal and State grants.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District and the following information provides an analysis of the balances and transactions of this fund.

- *Reserved Fund Balance:* The total fund balance at June 30, 2009, is \$9,768,316.61. It should be noted that \$3,389,323.33 has been reserved to show that it is legally restricted or not available for appropriation. The largest reservation, \$2,931,095.98, has been reserved for State categorical programs.
- *Unreserved Fund Balance – Designations:* Included in the unreserved fund balance are designated funds totaling \$5,048,524.28 that have been set aside by the Board to pay for specified purposes. The Board designated \$2,204,328.85, \$1,754,876.17, \$549,759.55, and \$539,559.71 for compensated absences, school budgets and State grants, contract schools, and construction and maintenance projects, respectively.
- *General Fund Undesignated Fund Balance:* The District's undesignated fund balance of the General Fund has remained relatively stable for the last several years. However, during the 2008-09 fiscal year, the General Fund undesignated fund balance decreased \$672,990. This decrease was a result of a reduction in revenue received from the State, as well as a decrease in earnings from investments. State FEEP and categorical funding declined by approximately \$1.8 million as a result of the economic downturn. Additionally, the District's General Fund expenditures decreased \$1,478,826.35. This decrease was a result of nonrecurring expenditures that occurred during the 2007-08 fiscal year relating to the set up of seven modular classrooms, demolition of the Dean Building at Kate Smith Elementary School, new carpeting at the elementary schools, construction of a turning lane to access Vernon Elementary School, the purchase of five school buses, and the purchase of instructional-related computers.
- The following graph shows the General Fund undesignated fund balance for the last six years.



The Special Revenue – Other Fund and the Special Revenue – ARRA Economic Stimulus Fund have a zero fund balance at the end of the current fiscal year. The District used these funds to account for certain Federal and State grant program resources. Since Federal revenue is recognized to the extent that eligible expenditures have been incurred, these funds do not generally accumulate a fund balance.

The Capital Projects – Public Education Capital Outlay Fund has a total fund balance of \$311,365.91 at June 30, 2009, representing a decrease of \$4,157,498.33 from the previous year. The decrease was primarily due to the completed construction of Vernon Elementary School's classroom project. These funds are restricted for the acquisition, construction, and maintenance of capital assets. The entire fund balance has been encumbered for specific construction in progress at fiscal year-end.

Proprietary Funds

The net assets of the PAEC – Risk Management Property/Casualty Enterprise Fund total \$12,603,055.20 at June 30, 2009, representing an increase of \$700,587.02 from the previous year. This increase was primarily due to a reduction in insurance claims expense and the receipt of a Federal grant.

The net assets of the PAEC – Programs Other Than Risk Management Enterprise Fund total \$2,969,435.91 at June 30, 2009. This fund had a decrease of \$559,526.55 primarily because of a decrease in charges for services and sales of \$542,616.98 as a result of a decrease in broadcast and media productions, a decrease in interest rates, and an unrealized loss from recording a fair value adjustment to investments.

The net assets of the PAEC – Risk Management Health Enterprise Fund did not significantly change from the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

CAPITAL ASSETS AND LONG-TERM DEBT

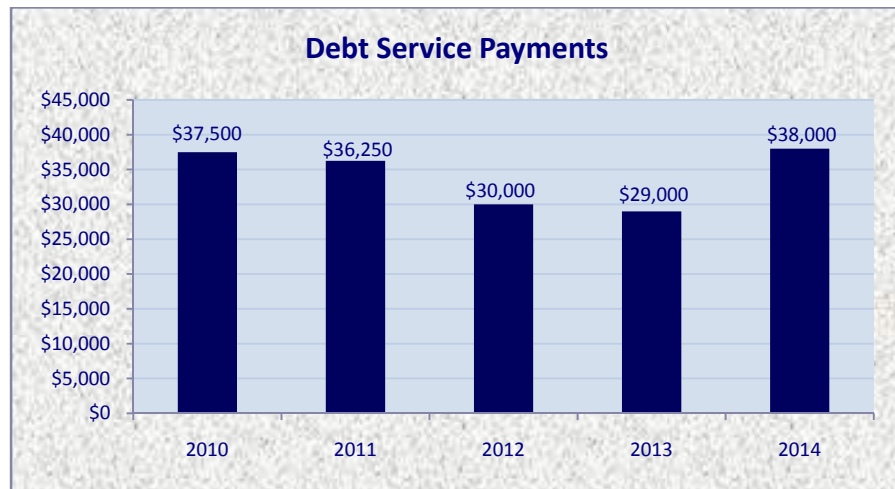
Capital Assets

Major capital asset events during the current fiscal year included the following:

- The District completed and capitalized the construction of 30 new classrooms at the Vernon Elementary School.
- The District entered a contract on May 26, 2009, for the remodeling and renovation of classrooms at Vernon Elementary School.

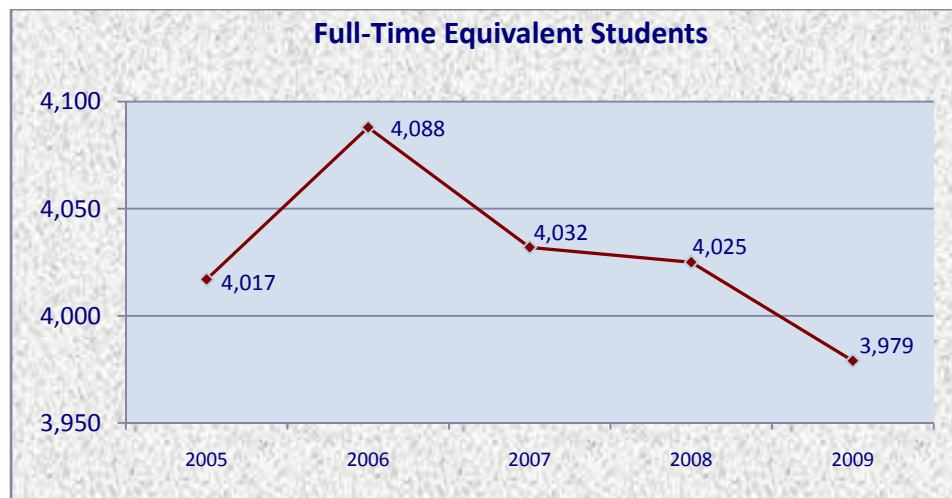
Long-Term Debt

The District did not issue any long-term debt during the 2008-09 fiscal year. The following chart reflects the debt service requirements of the District for the next five years.

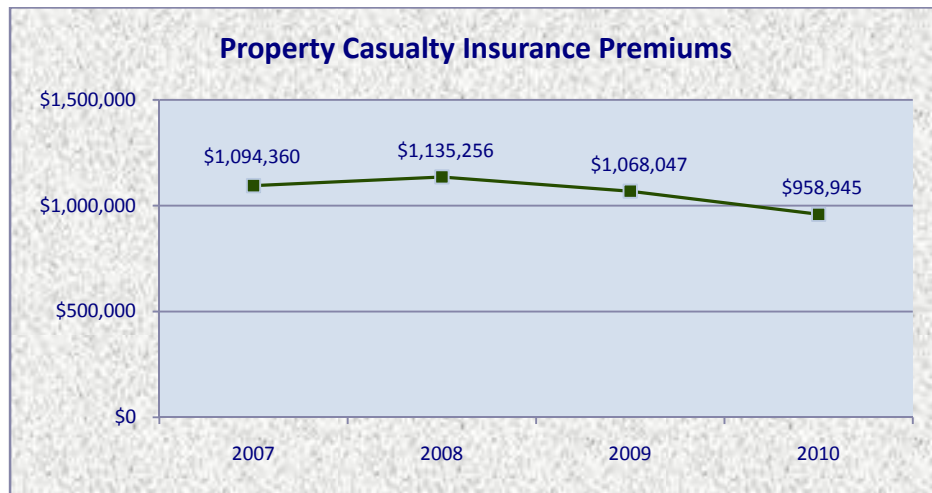


OTHER MATTERS OF SIGNIFICANCE

- *Student Enrollment and Funding:* State revenues comprise 76 percent of total available General Fund resources of the District. Revenues from State sources 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 statute, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department.
- *Full-time Equivalent Students:* The following chart reflects the trend of FTE for the last five years.



- *Property Casualty Insurance Premiums:* The District's property casualty insurance premiums decreased \$67,209 in the 2008-09 fiscal year from the previous fiscal year. The insurance premiums are expected to decrease \$109,102 in the 2009-10 fiscal year. The following graph depicts historical and estimated property casualty insurance premiums of the District.



REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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

		Primary Government	
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 13,200,723.20	\$ 19,000,454.74	\$ 32,201,177.94
Investments	235,799.50	407,773.59	643,573.09
Accounts Receivable	169,145.60	2,332.50	171,478.10
Internal Balances	1,883,040.58	(1,883,040.58)	
Due from Other Agencies	453,206.63	417,331.69	870,538.32
Due from Excess Insurer	14,033.00	4,031,611.49	4,045,644.49
Inventories	53,306.45	6,667.69	59,974.14
Capital Assets:			
Nondepreciable Capital Assets	2,370,013.75	665,380.10	3,035,393.85
Depreciable Capital Assets, Net	61,040,576.34	1,807,676.57	62,848,252.91
TOTAL ASSETS	\$ 79,419,845.05	\$ 24,456,187.79	\$ 103,876,032.84
LIABILITIES			
Salaries and Benefits Payable	\$ 748,612.47	\$	\$ 748,612.47
Payroll Deductions and Withholdings	172,140.72		172,140.72
Accounts Payable	993,200.57	151,050.50	1,144,251.07
Construction Contracts Payable	580,761.02		580,761.02
Construction Contracts Payable - Retainage	28,896.74		28,896.74
Due to Other Agencies	8,804.16	1,858,230.44	1,867,034.60
Deposits Payable	180.00		180.00
Deferred Revenue	212,967.69	258,484.14	471,451.83
Estimated Insurance Claims Payable	225,596.00		225,596.00
Long-Term Liabilities:			
Portion Due Within One Year	190,098.71	2,095,107.89	2,285,206.60
Portion Due After One Year	4,730,909.10	4,480,157.63	9,211,066.73
Total Liabilities	7,892,167.18	8,843,030.60	16,735,197.78
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	63,160,590.09	2,473,056.67	65,633,646.76
Restricted for:			
State Categorical Programs	2,931,095.98		2,931,095.98
Debt Service	8,311.24		8,311.24
Capital Projects	2,042,578.14		2,042,578.14
Other Purposes	73,775.30		73,775.30
Unrestricted	3,311,327.12	13,140,100.52	16,451,427.64
Total Net Assets	71,527,677.87	15,613,157.19	87,140,835.06
TOTAL LIABILITIES AND NET ASSETS	\$ 79,419,845.05	\$ 24,456,187.79	\$ 103,876,032.84

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

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 22,857,827.56	\$ 849,826.58	\$	\$
Pupil Personnel Services	2,358,906.19			
Instructional Media Services	550,491.65			
Instruction and Curriculum Development Services	328,219.03			
Instructional Staff Training Services	514,041.32			
Instruction Related Technology	450,891.63			
Board of Education	505,638.25			
General Administration	487,122.03			
School Administration	2,841,845.62			
Facilities Acquisition and Construction	7,098.49			913,570.81
Fiscal Services	511,151.17			
Food Services	1,784,604.93	560,958.45	1,155,085.17	
Central Services	233,064.20			
Pupil Transportation Services	2,304,284.32	110,573.41	968,303.00	
Operation of Plant	2,359,159.10			
Maintenance of Plant	988,014.95			
Administrative Technology Services	161,593.08			
Community Services	869,774.80			
Interest on Long-Term Debt	13,271.31			27,649.77
Unallocated Depreciation Expense	2,020,473.53			
Loss on Disposal of Capital Assets	39,482.26			
Total Governmental Activities	42,186,955.42	1,521,358.44	2,123,388.17	941,220.58
Business-Type Activities:				
Panhandle Area Educational Consortium - Risk Management				
Property/Casualty	9,166,596.90	9,514,551.79	6,713.00	
Panhandle Area Educational Consortium - Risk Management Health	72,731.26		70,869.00	
Panhandle Area Educational Consortium - Programs Other Than Risk Management	12,715,258.18	1,800,992.56	582,759.18	
Total Business-Type Activities	21,954,586.34	11,315,544.35	660,341.18	
Total Primary Government	\$ 64,141,541.76	\$ 12,836,902.79	\$ 2,783,729.35	\$ 941,220.58
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				
Property Taxes, Levied for Capital Projects				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Transfers				
Special Item:				
Consortium Assets Received from Santa Rosa County District School Board				
Total General Revenues, Transfers, and Special Item				
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		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (22,008,000.98)	\$	\$ (22,008,000.98)
(2,358,906.19)		(2,358,906.19)
(550,491.65)		(550,491.65)
(328,219.03)		(328,219.03)
(514,041.32)		(514,041.32)
(450,891.63)		(450,891.63)
(505,638.25)		(505,638.25)
(487,122.03)		(487,122.03)
(2,841,845.62)		(2,841,845.62)
906,472.32		906,472.32
(511,151.17)		(511,151.17)
(68,561.31)		(68,561.31)
(233,064.20)		(233,064.20)
(1,225,407.91)		(1,225,407.91)
(2,359,159.10)		(2,359,159.10)
(988,014.95)		(988,014.95)
(161,593.08)		(161,593.08)
(869,774.80)		(869,774.80)
14,378.46		14,378.46
(2,020,473.53)		(2,020,473.53)
(39,482.26)		(39,482.26)
(37,600,988.23)		(37,600,988.23)
	354,667.89	354,667.89
	(1,862.26)	(1,862.26)
	(10,331,506.44)	(10,331,506.44)
	(9,978,700.81)	(9,978,700.81)
(37,600,988.23)	(9,978,700.81)	(47,579,689.04)
6,172,393.63		6,172,393.63
1,824,609.09		1,824,609.09
28,768,061.92	9,838,527.64	38,606,589.56
9,670.28	(67,916.79)	(58,246.51)
1,145,725.26	98,424.94	1,244,150.20
(144,446.99)	144,446.99	
	104,393.04	104,393.04
37,776,013.19	10,117,875.82	47,893,889.01
175,024.96	139,175.01	314,199.97
71,352,652.91	15,473,982.18	86,826,635.09
\$ 71,527,677.87	\$ 15,613,157.19	\$ 87,140,835.06

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

	General Fund	Special Revenue - Other Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 10,461,620.07	\$ 983.53
Investments	186,197.72	
Accounts Receivable	169,145.60	
Due from Other Funds	128,346.59	25,895.24
Due from Other Agencies	65,440.06	171,683.97
Inventories		
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 11,010,750.04</u></u>	<u><u>\$ 198,562.74</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Salaries and Benefits Payable	\$ 748,612.47	\$
Payroll Deductions and Withholdings	172,140.72	
Accounts Payable	149,572.00	73,338.15
Construction Contracts Payable		
Construction Contracts Payable - Retainage		
Due to Other Funds	138,631.44	124,708.04
Due to Other Agencies	6,274.14	330.02
Deposits Payable	180.00	
Deferred Revenue	27,022.66	186.53
	<u> </u>	<u> </u>
Total Liabilities	<u>1,242,433.43</u>	<u>198,562.74</u>
Fund Balances:		
Reserved for State Categorical Programs	2,931,095.98	
Reserved for Encumbrances	437,758.50	
Reserved for Inventory		
Reserved for Debt Service		
Reserved for Other Purposes	20,468.85	
Unreserved:		
Designated, Reported in General Fund:		
Compensated Absences	2,204,328.85	
Contract Schools	549,759.55	
Construction/Maintenance Projects	539,559.71	
School Budgets/State Grants	1,754,876.17	
Undesignated, Reported in:		
General Fund	1,330,469.00	
Special Revenue Funds		
Capital Projects Funds		
	<u> </u>	<u> </u>
Total Fund Balances	<u>9,768,316.61</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 11,010,750.04</u></u>	<u><u>\$ 198,562.74</u></u>

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

Special Revenue - ARRA Economic Stimulus Fund	Capital Projects - Public Education Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 818,597.19	\$ 1,919,522.41	\$ 13,200,723.20
		49,601.78	235,799.50
			169,145.60
			154,241.83
5,939.33	181,481.00	28,662.27	453,206.63
		53,306.45	53,306.45
<u>\$ 5,939.33</u>	<u>\$ 1,000,078.19</u>	<u>\$ 2,051,092.91</u>	<u>\$ 14,266,423.21</u>
\$	\$	\$	\$ 748,612.47
			172,140.72
5,875.98	28,728.12	55,348.89	312,863.14
	449,606.42	131,154.60	580,761.02
	28,896.74		28,896.74
63.35			263,402.83
		2,200.00	8,804.16
			180.00
	181,481.00	4,277.50	212,967.69
<u>5,939.33</u>	<u>688,712.28</u>	<u>192,980.99</u>	<u>2,328,628.77</u>
			2,931,095.98
	311,365.91	750,544.42	1,499,668.83
		53,306.45	53,306.45
		8,311.24	8,311.24
			20,468.85
			2,204,328.85
			549,759.55
			539,559.71
			1,754,876.17
			1,330,469.00
		65,282.00	65,282.00
		980,667.81	980,667.81
	311,365.91	1,858,111.92	11,937,794.44
<u>\$ 5,939.33</u>	<u>\$ 1,000,078.19</u>	<u>\$ 2,051,092.91</u>	<u>\$ 14,266,423.21</u>

WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Fund Balances - Governmental Funds	\$	11,937,794.44
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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.		63,410,590.09
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Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		1,100,301.15
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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	\$	250,000.00	
Compensated Absences Payable		3,938,578.81	
Postemployment Healthcare Benefits Payable		732,429.00	(4,921,007.81)
		732,429.00	(4,921,007.81)

Total Net Assets - Governmental Activities	\$	71,527,677.87
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The accompanying notes to financial statements are an integral part of this statement.

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WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009

	General Fund	Special Revenue - Other Fund
Revenues		
Intergovernmental:		
Federal Direct	\$ 113,728.53	\$ 779,088.15
Federal Through State and Local	109,018.43	3,802,478.36
State	24,714,580.64	46,697.19
Local:		
Property Taxes	6,172,393.63	
School Food Service Sales		
Miscellaneous	1,601,435.11	
Total Revenues	<u>32,711,156.34</u>	<u>4,628,263.70</u>
Expenditures		
Current - Education:		
Instruction	20,609,679.83	2,091,672.91
Pupil Personnel Services	1,214,726.85	1,140,125.99
Instructional Media Services	553,334.17	1,286.30
Instruction and Curriculum Development Services	279,079.57	43,953.13
Instructional Staff Training Services	289,591.09	243,070.38
Instruction Related Technology	443,526.62	
Board of Education	502,757.58	
General Administration	392,827.72	116,515.70
School Administration	2,848,040.86	3,000.00
Facilities Acquisition and Construction		
Fiscal Services	497,750.88	
Food Services	12,606.77	
Central Services	269,369.94	
Pupil Transportation Services	1,913,166.85	18,941.07
Operation of Plant	2,358,896.38	
Maintenance of Plant	1,018,680.13	
Administrative Technology Services	158,631.85	
Community Services	82,014.46	787,760.34
Fixed Capital Outlay:		
Facilities Acquisition and Construction	23,956.04	
Other Capital Outlay	97,633.55	181,937.88
Debt Service:		
Principal		
Interest and Fiscal Charges		
Total Expenditures	<u>33,566,271.14</u>	<u>4,628,263.70</u>
Deficiency of Revenues Under Expenditures	<u>(855,114.80)</u>	
Other Financing Sources (Uses)		
Transfers In	388,665.29	
Insurance Loss Recoveries	6,214.27	
Transfers Out	(240,584.99)	
Total Other Financing Sources (Uses)	<u>154,294.57</u>	
Net Change in Fund Balances	<u>(700,820.23)</u>	
Fund Balances, Beginning	<u>10,469,136.84</u>	
Fund Balances, Ending	<u>\$ 9,768,316.61</u>	<u>\$ 0.00</u>

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

Special Revenue - ARRA Economic Stimulus Fund	Capital Projects - Public Education Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
219,573.60		1,128,013.17	892,816.68
	792,553.00	173,636.79	5,259,083.56
		1,824,609.09	25,727,467.62
	3,486.37	560,958.45	7,997,002.72
		(2,970.97)	560,958.45
			1,601,950.51
219,573.60	796,039.37	3,684,246.53	42,039,279.54
175,781.36			22,877,134.10
29,307.48			2,384,160.32
			554,620.47
875.76			323,032.70
			533,537.23
			443,526.62
10,835.55			502,757.58
			520,178.97
	1,518.49	5,580.00	2,851,040.86
			7,098.49
			497,750.88
		1,763,504.34	1,776,111.11
2,773.45			269,369.94
			1,934,881.37
			2,358,896.38
			1,018,680.13
			158,631.85
			869,774.80
	4,924,229.21	2,324,791.84	7,272,977.09
		358,838.66	638,410.09
		15,000.00	15,000.00
		13,271.31	13,271.31
219,573.60	4,925,747.70	4,480,986.15	47,820,842.29
	(4,129,708.33)	(796,739.62)	(5,781,562.75)
		103,000.00	491,665.29
	(27,790.00)	(367,737.29)	6,214.27
			(636,112.28)
	(27,790.00)	(264,737.29)	(138,232.72)
	(4,157,498.33)	(1,061,476.91)	(5,919,795.47)
	4,468,864.24	2,919,588.83	17,857,589.91
\$ 0.00	\$ 311,365.91	\$ 1,858,111.92	\$ 11,937,794.44

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009**

Net Change in Fund Balances - Governmental Funds **\$ (5,919,795.47)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period. 6,000,221.28

The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (39,482.26)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period. 15,000.00

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences paid in excess of the amount earned in the current period. 685,659.63

Postemployment healthcare benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the postemployment healthcare benefits liability for the current fiscal year. (732,429.00)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities. 165,850.78

Change in Net Assets - Governmental Activities **\$ 175,024.96**

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

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
June 30, 2009**

	Business-Type Activities - Enterprise Funds				Governmental Activities -
	Panhandle Area Educational Consortium - Risk Management Property/Casualty	Panhandle Area Educational Consortium - Risk Management Health	Panhandle Area Educational Consortium - Programs Other Than Risk Management	Total	Internal Service Fund
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 13,918,397.04	\$ 3,644,748.96	\$ 1,437,308.74	\$ 19,000,454.74	\$
Investments	317,192.30	43,509.49	47,071.80	407,773.59	
Accounts Receivable			2,332.50	2,332.50	
Due From Other Funds	6,136.20		188,213.00	194,349.20	1,992,201.58
Due From Other Agencies			417,331.69	417,331.69	
Due From Excess Insurer	4,031,611.49			4,031,611.49	14,033.00
Inventories			6,667.69	6,667.69	
Total Current Assets	18,273,337.03	3,688,258.45	2,098,925.42	24,060,520.90	2,006,234.58
Noncurrent Assets:					
Land			665,380.10	665,380.10	
Improvements Other Than Buildings, Net			227,232.91	227,232.91	
Buildings and Fixed Equipment, Net			1,050,758.58	1,050,758.58	
Furniture, Fixtures, and Equipment, Net	23,303.98	3,787.57	462,503.97	489,595.52	
Motor Vehicles, Net			67.00	67.00	
Computer Software, Net	1,160.83		38,861.73	40,022.56	
Total Noncurrent Assets	24,464.81	3,787.57	2,444,804.29	2,473,056.67	
TOTAL ASSETS	\$ 18,297,801.84	\$ 3,692,046.02	\$ 4,543,729.71	\$ 26,533,577.57	\$ 2,006,234.58
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 7,424.85	\$	\$ 143,625.65	\$ 151,050.50	\$ 680,337.43
Due to Other Funds	143.52	1,992,201.58	85,044.68	2,077,389.78	
Due to Other Agencies	4,768.00	1,648,578.42	204,884.02	1,858,230.44	
Deferred Revenue			258,484.14	258,484.14	
Compensated Absence Payable			8,105.89	8,105.89	
Estimated Insurance Claims Payable	2,087,002.00			2,087,002.00	225,596.00
Total Current Liabilities	2,099,338.37	3,640,780.00	700,144.38	6,440,262.75	905,933.43
Noncurrent Liabilities:					
Compensated Absences Payable	45,367.50	9,303.60	776,400.53	831,071.63	
Estimated Insurance Claims Payable	3,545,087.00			3,545,087.00	
Postemployment Healthcare Benefits Payable	4,953.77	1,296.34	97,748.89	103,999.00	
Total Noncurrent Liabilities	3,595,408.27	10,599.94	874,149.42	4,480,157.63	
Total Liabilities	5,694,746.64	3,651,379.94	1,574,293.80	10,920,420.38	905,933.43
NET ASSETS					
Invested in Capital Assets	24,464.81	3,787.57	2,444,804.29	2,473,056.67	
Unrestricted	12,578,590.39	36,878.51	524,631.62	13,140,100.52	1,100,301.15
Total Net Assets	12,603,055.20	40,666.08	2,969,435.91	15,613,157.19	1,100,301.15
TOTAL LIABILITIES AND NET ASSETS	\$ 18,297,801.84	\$ 3,692,046.02	\$ 4,543,729.71	\$ 26,533,577.57	\$ 2,006,234.58

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

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009**

	Business-Type Activities - Enterprise Funds				Governmental Activities -
	Panhandle Area Educational Consortium - Risk Management Property/Casualty	Panhandle Area Educational Consortium - Risk Management Health	Panhandle Area Educational Consortium - Programs Other Than Risk Management	Total	Internal Service Fund
OPERATING REVENUES					
Charges for Services	\$	\$	\$ 1,735,536.21	\$ 1,735,536.21	\$
Sales Revenue			65,456.35	65,456.35	
Premium Revenues	9,514,551.79			9,514,551.79	4,744,489.50
Other Operating Revenues	6,713.00	70,869.00	582,759.18	660,341.18	
Total Operating Revenues	9,521,264.79	70,869.00	2,383,751.74	11,975,885.53	4,744,489.50
OPERATING EXPENSES					
Salaries	187,610.30	53,543.48	4,049,433.94	4,290,587.72	
Employee Benefits	56,971.43	17,000.54	1,107,654.04	1,181,626.01	
Purchased Services	758,475.19	100.45	5,210,246.30	5,968,821.94	58,426.00
Energy Services			59,979.93	59,979.93	
Materials and Supplies	24,233.97	14.49	1,361,048.24	1,385,296.70	
Capital Outlay	1,328.78	438.00	218,982.36	220,749.14	
Insurance Claims	2,766,985.07			2,766,985.07	3,354,820.74
Excess Insurance Premiums	4,848,596.00			4,848,596.00	801,942.89
Service Agent Fees	505,094.00			505,094.00	366,781.60
Other Expenses	8,666.69		397,711.77	406,378.46	
Depreciation	8,635.47	1,634.30	309,185.27	319,455.04	
Total Operating Expenses	9,166,596.90	72,731.26	12,714,241.85	21,953,570.01	4,581,971.23
Operating Income (Loss)	354,667.89	(1,862.26)	(10,330,490.11)	(9,977,684.48)	162,518.27
NONOPERATING REVENUES (EXPENSES)					
Interest	(44,540.15)	(23.20)	(23,353.44)	(67,916.79)	3,332.51
Federal Grants	390,459.28		7,571,157.60	7,961,616.88	
State Grants			1,876,310.76	1,876,310.76	
Gifts and Grants			600.00	600.00	
Miscellaneous Local Sources			98,424.94	98,424.94	
Loss on Disposal of Assets			(1,016.33)	(1,016.33)	
Total Nonoperating Revenues (Expenses)	345,919.13	(23.20)	9,522,123.53	9,868,019.46	3,332.51
Income (Loss) Before Transfers and Special Item	700,587.02	(1,885.46)	(808,366.58)	(109,665.02)	165,850.78
Transfers In			144,446.99	144,446.99	
Special Item: Consortium Assets Received from Santa Rosa County District School Board			104,393.04	104,393.04	
Change in Net Assets	700,587.02	(1,885.46)	(559,526.55)	139,175.01	165,850.78
Total Net Assets - Beginning	11,902,468.18	42,551.54	3,528,962.46	15,473,982.18	934,450.37
Total Net Assets - Ending	\$ 12,603,055.20	\$ 40,666.08	\$ 2,969,435.91	\$ 15,613,157.19	\$ 1,100,301.15

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

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009**

	Business-Type Activities - Enterprise Funds				Governmental Activities -
	Panhandle Area Educational Consortium - Risk Management Property/Casualty	Panhandle Area Educational Consortium - Risk Management Health	Panhandle Area Educational Consortium - Programs Other Than Risk Management	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash Received from Board Funds and Participants	\$ 9,591,933.79	\$	\$ 3,089,489.36	\$ 12,681,423.15	\$ 4,744,489.50
Cash Payments to Suppliers for Goods and Services	(6,208,471.26)	(552.94)	(9,011,656.64)	(14,220,680.84)	(1,014,888.66)
Cash Payments to Employees for Services	(255,075.03)	(68,453.40)	(5,168,288.26)	(5,491,816.69)	
Cash Payments for Insurance Claims	(2,779,816.07)			(2,779,816.07)	(3,351,227.74)
Cash Received (Paid) from Other Operating Activities	(513,686.97)	754,427.26	582,759.18	823,499.47	(381,705.61)
Net Cash Provided (Used) by Operating Activities	(165,115.54)	685,420.92	(9,507,696.36)	(8,987,390.98)	(3,332.51)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Proceeds from Gifts and Federal and State Grants	390,459.28		9,546,493.30	9,936,952.58	
Transfers to Other Funds			144,446.99	144,446.99	
Cash Received from Santa Rosa County District School Board			104,393.04	104,393.04	
Net Cash Provided by Noncapital Financing Activities	390,459.28		9,795,333.33	10,185,792.61	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and Construction of Capital Assets			(56,567.82)	(56,567.82)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of Investments	13,251,032.43	1,649,399.65	171,047.93	15,071,480.01	
Interest Income	(44,540.15)	(23.20)	(23,353.44)	(67,916.79)	3,332.51
Net Cash Provided by Investing Activities	13,206,492.28	1,649,376.45	147,694.49	15,003,563.22	3,332.51
Net Increase in Cash and Cash Equivalents	13,431,836.02	2,334,797.37	378,763.64	16,145,397.03	
Cash and Cash Equivalents, Beginning	486,561.02	1,309,951.59	1,058,545.10	2,855,057.71	
Cash and Cash Equivalents, Ending	\$ 13,918,397.04	\$ 3,644,748.96	\$ 1,437,308.74	\$ 19,000,454.74	\$ 0.00

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Operating Income (Loss)	\$ 354,667.89	\$ (1,862.26)	\$ (10,330,490.11)	\$ (9,977,684.48)	\$ 162,518.27
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	8,635.47	1,634.30	309,185.27	319,455.04	
Changes in Assets and Liabilities:					
Decrease in Accounts Receivable	104,892.25		13,007.36	117,899.61	
(Increase) Decrease in Due From Insurer	(625,292.22)			(625,292.22)	8,458.32
(Increase) Decrease in Due From Other Funds	(4,763.71)		613,597.27	608,833.56	(390,163.93)
Decrease in Due From Other Agencies	77,382.00		910,640.98	988,022.98	
Decrease in Inventory			7,284.31	7,284.31	
Increase (Decrease) in Accounts Payable	(62,224.44)		(420,520.30)	(482,744.74)	212,261.83
Increase (Decrease) in Compensated Absences Payable	(15,447.07)	794.28	(108,949.17)	(123,601.96)	
Increase in Postemployment Healthcare Benefits Obligation	4,953.77	1,296.34	97,748.89	103,999.00	
Increase (Decrease) in Due to Other Funds	143.52	390,163.93	(27,724.96)	362,582.49	
Increase (Decrease) in Due to Other Agencies	4,768.00	293,394.33	(322,727.09)	(24,564.76)	
Decrease in Deferred Revenue			(248,748.81)	(248,748.81)	
Increase (Decrease) in Estimated Insurance Claims Payable	(12,831.00)			(12,831.00)	3,593.00
Total Adjustments	(519,783.43)	687,283.18	822,793.75	990,293.50	(165,850.78)
Net Cash Provided (Used) by Operating Activities	\$ (165,115.54)	\$ 685,420.92	\$ (9,507,696.36)	\$ (8,987,390.98)	\$ (3,332.51)

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 633,029.00
Inventory	<u>24,304.00</u>
TOTAL ASSETS	<u>\$ 657,333.00</u>
LIABILITIES	
Accounts Payable	\$ 6,321.00
Internal Accounts Payable	<u>651,012.00</u>
TOTAL LIABILITIES	<u>\$ 657,333.00</u>

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

**WASHINGTON 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 Washington County School District is considered part of the Florida system of public education. The governing body of the school district is the Washington 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 Washington County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any 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 these criteria, no component units are included within the reporting entity of the District.

➤ **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 School District as a whole. These statements include the nonfiduciary financial activity of the primary government. The statements distinguish between governmental activities of the District and those that are considered business-type activities.

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 and for each segment of the business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the 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 or business segment 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, except for interfund services provided and used and the net residual amounts between governmental and business-type activities.

Fund Financial Statements - Fund financial statements report detailed information about the District in the governmental, proprietary, 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

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

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.
- Special Revenue – Other Fund – to account for certain Federal and State grant program resources.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources generated by the State Public Education Capital Outlay and Debt Service Trust Fund to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

The District reports the following major enterprise funds:

- Panhandle Area Educational Consortium – Risk Management Property/Casualty Fund – to account for the financial resources of the property/casualty public entity risk pool for which the District is fiscal agent.
- Panhandle Area Educational Consortium – Risk Management Health Fund – to account for the operating activities of the administration of the group health consortium for which the District is fiscal agent.
- Panhandle Area Educational Consortium – Programs Other Than Risk Management Fund – to account for the financing of the Panhandle Area Education Consortium for which the District is fiscal agent.

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

- Internal Service Fund – to account for the District's employee Risk Management Health Self-Insurance Program.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

➤ **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 proprietary funds and 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,

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

entitlements, and 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 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. 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.

Proprietary funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges for property, casualty, and workers' compensation premiums and charges for services and sales. The principal operating revenues of the District's internal service fund are charges for employee health insurance premiums. Operating expenses consist primarily of purchased services, salaries, insurance claims, and excess insurance premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

➤ **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 three months or less. Investments classified as cash equivalents include amounts placed 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, and 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. The 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.

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

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.

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

➤ **Inventories**

Inventories reported in the Special Revenue Funds consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on 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 purchased.

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

➤ **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 acquired by the enterprise funds are capitalized in the fund which financed the acquisition. Capital assets are defined by the District as those costing more than \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Generally, buildings acquired or constructed prior to July 1, 1989, and improvements other than buildings acquired prior to August 19, 1988, are stated at estimated historical cost using price levels at the time of acquisition and, as a result, \$7,464,135.23 of stated buildings value, and \$153,508.12 of stated improvements other than buildings value, are based on these estimates.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	10 - 35 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	3 - 5 years

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

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

➤ **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.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

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. Accordingly, the District recognizes the allocation of Public Education Capital Outlay funds as deferred revenue until such time as an encumbrance authorization is received.

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

➤ **District Property Taxes**

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

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

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

The School Board adopted the 2008 tax levy on September 15, 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 procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

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

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

➤ **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. The District received ARRA Economic Stimulus Funds to be used for the purpose of saving and creating jobs and to improve student achievement through school improvement. 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 are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

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

3. INVESTMENTS

Section 218.415(17), Florida Statutes, authorizes the District to invest in the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP); any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy does not further limit its investment choices, and does not limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Investments, reported as cash equivalents, with a fair value of \$28,749,558.70 at June 30, 2009, are in SBA LGIP with a weighted average days to maturity (WAM) of 46 days. A portfolio's WAM reflects the average maturity 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. The District's investment in LGIP is rated AAAm by Standard & Poor's.

Investments with a fair value of \$635,261.85 at June 30, 2009, are in SBA Fund B Surplus Funds Trust Fund (Fund B) with 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. The District's investment in Fund B is unrated.

In addition, the District reports investments totaling \$8,311.24 at June 30, 2009, in SBA Debt Service accounts to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The District relies on policies developed by SBA for managing credit risk for this account.

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

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
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,653,204.03	\$ 198,161.00	\$	\$ 1,851,365.03
Land Improvements - Nondepreciable	67,144.15			67,144.15
Construction in Progress	629,426.93	7,234,236.39	7,412,158.75	451,504.57
Total Capital Assets Not Being Depreciated	2,349,775.11	7,432,397.39	7,412,158.75	2,370,013.75
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,105,306.09	718,317.58		1,823,623.67
Buildings and Fixed Equipment	63,016,690.63	6,893,546.87	153,089.56	69,757,147.94
Furniture, Fixtures, and Equipment	8,547,988.98	301,429.14	889,158.09	7,960,260.03
Motor Vehicles	5,046,079.19	431,439.00	18,597.00	5,458,921.19
Audio Visual Materials and Computer Software	607,956.21	4,017.00	83,015.27	528,957.94
Total Capital Assets Being Depreciated	78,324,021.10	8,348,749.59	1,143,859.92	85,528,910.77
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	410,313.84	59,432.15		469,745.99
Buildings and Fixed Equipment	12,383,111.92	1,303,959.08	127,092.77	13,559,978.23
Furniture, Fixtures, and Equipment	6,693,776.83	589,767.66	875,918.42	6,407,626.07
Motor Vehicles	3,199,677.18	389,773.89	18,597.00	3,570,854.07
Audio Visual Materials and Computer Software	537,065.37	25,834.17	82,769.47	480,130.07
Total Accumulated Depreciation	23,223,945.14	2,368,766.95	1,104,377.66	24,488,334.43
Total Capital Assets Being Depreciated, Net	55,100,075.96	5,979,982.64	39,482.26	61,040,576.34
Governmental Activities Capital Assets, Net	\$ 57,449,851.07	\$ 13,412,380.03	\$ 7,451,641.01	\$ 63,410,590.09

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JUNE 30, 2009**

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
BUSINESS-TYPE ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 665,380.10	\$	\$	\$ 665,380.10
Total Capital Assets Not Being Depreciated	665,380.10			665,380.10
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	315,347.43	6,600.00		321,947.43
Buildings and Fixed Equipment	1,123,919.70			1,123,919.70
Furniture, Fixtures, and Equipment	2,976,951.73	46,654.41	193,827.63	2,829,778.51
Motor Vehicles	1,000.00			1,000.00
Audio Visual Materials and Computer Software	175,864.83	3,313.41	28,028.93	151,149.31
Total Capital Assets Being Depreciated	4,593,083.69	56,567.82	221,856.56	4,427,794.95
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	81,475.14	13,239.38		94,714.52
Buildings and Fixed Equipment	50,404.08	22,757.04		73,161.12
Furniture, Fixtures, and Equipment	2,266,524.28	266,470.01	192,811.30	2,340,182.99
Motor Vehicles	833.00	100.00		933.00
Audio Visual Materials and Computer Software	122,267.07	16,888.61	28,028.93	111,126.75
Total Accumulated Depreciation	2,521,503.57	319,455.04	220,840.23	2,620,118.38
Total Capital Assets Being Depreciated, Net	2,071,580.12	(262,887.22)	1,016.33	1,807,676.57
Business-Type Activities Capital Assets, Net	\$ 2,736,960.22	\$ (262,887.22)	\$ 1,016.33	\$ 2,473,056.67

**WASHINGTON COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 348,293.42
Unallocated	2,020,473.53
Total Depreciation Expense - Governmental Activities	\$ 2,368,766.95
BUSINESS-TYPE ACTIVITIES	
Panhandle Area Educational Consortium - Risk Management	
Property/Casualty	\$ 8,635.47
Panhandle Area Educational Consortium - Risk Management Health	1,634.30
Panhandle Area Educational Consortium - Programs Other Than Risk Management	309,185.27
Total Depreciation Expense - Business-Type Activities	\$ 319,455.04

5. BONDS PAYABLE

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds: Series 2005B, Refunding	\$ 250,000	5.0	2018

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

➤ 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.

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2010	\$ 37,500.00	\$ 25,000.00	\$12,500.00
2011	36,250.00	25,000.00	11,250.00
2012	30,000.00	20,000.00	10,000.00
2013	29,000.00	20,000.00	9,000.00
2014	38,000.00	30,000.00	8,000.00
2015-2018	146,750.00	130,000.00	16,750.00
Total	<u>\$ 317,500.00</u>	<u>\$ 250,000.00</u>	<u>\$ 67,500.00</u>

6. 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
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 265,000.00	\$	\$ 15,000.00	\$ 250,000.00	\$ 25,000.00
Compensated Absences Payable	4,624,238.44	1,120,818.40	1,806,478.03	3,938,578.81	165,098.71
Postemployment Healthcare Benefits Payable		1,347,286.00	614,857.00	732,429.00	
Total Governmental Activities	<u>\$ 4,889,238.44</u>	<u>\$ 2,468,104.40</u>	<u>\$ 2,436,335.03</u>	<u>\$ 4,921,007.81</u>	<u>\$ 190,098.71</u>
BUSINESS-TYPE ACTIVITIES					
Estimated Insurance Claims Payable	\$ 5,644,920.00	\$ 2,659,592.82	\$ 2,672,423.82	\$ 5,632,089.00	\$ 2,087,002.00
Compensated Absences Payable	962,779.48	331,330.64	454,932.60	839,177.52	8,105.89
Postemployment Healthcare Benefits Payable		139,167.00	35,168.00	103,999.00	
Total Business-Type Activities	<u>\$ 6,607,699.48</u>	<u>\$ 3,130,090.46</u>	<u>\$ 3,162,524.42</u>	<u>\$ 6,575,265.52</u>	<u>\$ 2,095,107.89</u>

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

**WASHINGTON COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

7. 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 Governmental:		
General	\$ 128,346.59	\$ 138,631.44
Special Revenue:		
Other	25,895.24	124,708.04
ARRA Economic Stimulus		63.35
Major Enterprise:		
Panhandle Area Educational Consortium -		
Risk Management Property/Casualty	6,136.20	143.52
Panhandle Area Educational Consortium -		
Risk Management Health		1,992,201.58
Panhandle Area Educational Consortium -		
Programs Other Than Risk Management	188,213.00	85,044.68
Internal Service:		
Washington County - Risk Management Health	1,992,201.58	
Total	<u>\$ 2,340,792.61</u>	<u>\$ 2,340,792.61</u>

Interfund receivables and payables are recorded to reflect fees, reimbursements, and advances owed by one fund to another as of June 30, 2009. All receivables and payables are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Governmental:		
General	\$ 388,665.29	\$ 240,584.99
Capital Projects:		
Public Education Capital Outlay		27,790.00
Major Enterprise:		
Panhandle Area Educational Consortium -		
Programs Other Than Risk Management	144,446.99	
Nonmajor Governmental	103,000.00	367,737.29
Total	<u>\$ 636,112.28</u>	<u>\$ 636,112.28</u>

Transfers to the General Fund were for reimbursement of maintenance, renovation, operating lease expenditures, and insurance premiums. Transfers to the enterprise fund were to finance maintenance and renovation projects and for costs associated with the fiscal agent agreement. The transfer to the nonmajor governmental fund was to cover the costs associated with school food service operations.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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8. 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.

Because revenues of grants accounted for in the Special Revenue – Other Fund and Special Revenue – ARRA Economic Stimulus Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$1,207.22 at June 30, 2009. Also, there are no outstanding purchase orders in the Special Revenue – ARRA Economic Stimulus Fund at June 30, 2009.

9. SPECIAL ITEM – CONSORTIUM ASSETS RECEIVED FROM SANTA ROSA COUNTY DISTRICT SCHOOL BOARD

Effective July 1, 2008, the district of record responsibilities for the Gateway Student System Consortium (GSSC) transferred from Santa Rosa County District School Board (Santa Rosa) to Washington County District School Board (District). Santa Rosa made payments, totaling \$104,393.04, directly to the District, and receipt of these proceeds is reported as a special item in the Panhandle Area Educational Consortium – Programs Other than Risk Management Fund.

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

10. SCHEDULE OF STATE REVENUE SOURCES

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

Governmental Funds:	
Florida Education Finance Program	\$ 16,024,492.00
Categorical Educational Programs:	
Class Size Reduction	3,282,087.00
Transportation	968,303.00
Instructional Materials	410,356.00
Other	142,817.44
Workforce Development Program	3,274,018.00
Gross Receipts Tax (Public Education Capital Outlay)	792,553.00
Adults with Disabilities	192,809.00
Discretionary Lottery Funds	88,956.00
Miscellaneous	551,076.18
Subtotal - Governmental	25,727,467.62
Enterprise Funds:	
Regional Educational Consortium Services	859,402.06
Distance Learning Teacher Training	626,438.95
Families Building Better Readers	288,570.84
Miscellaneous	101,898.91
Subtotal - Enterprise	1,876,310.76
Total	\$ 27,603,778.38

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

11. PROPERTY TAXES

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

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.177	\$ 5,620,587
Basic Discretionary Local Effort	0.498	540,671
Supplemental Discretionary Local Effort	0.250	271,421
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.750	1,899,948
Total	7.675	\$ 8,332,627

**WASHINGTON COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

12. 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.

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 49 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$164,449.11.

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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 \$2,554,815.83, \$2,556,174.72, and \$2,566,012.34, 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.

13. 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 \$23,055,432 at the 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 self-insured health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly

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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. Contribution requirements of the District and plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual 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, 177 retirees received postemployment healthcare benefits. The District provided required contributions of \$650,025 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees net of retiree contributions totaling \$876,845, which represents 4.43 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:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 714,205
Amortization of Unfunded Actuarial Accrued Liability	733,862
Interest on Normal Cost and Amortization	<u>38,386</u>
Annual Required Contribution	1,486,453
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	<u> </u>
Annual OPEB Cost (Expense)	1,486,453
Contribution Toward the OPEB Cost	<u>(650,025)</u>
Increase in Net OPEB Obligation	836,428
Net OPEB Obligation, Beginning of Year	<u> </u>
Net OPEB Obligation, End of Year	<u><u>\$ 836,428</u></u>

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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 (year of implementation), were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
_____	_____	_____	_____
Beginning Balance, 7-1-08 2008-09	\$ 1,486,453	43.73%	\$ 0 836,428

Funded Status and Funding Progress. As of October 1, 2007, the most recent valuation date, the actuarial accrued liability for benefits was \$23,055,432, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$23,055,432 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$19,813,662 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 116.36 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 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.

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 to estimate the District's 2008-09 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.55 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 9 percent initially beginning October 1, 2008, reduced to an ultimate rate of 5 percent after 9 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.

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14. 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
Vernon Elementary School Renovation: Construction Manager	<u>\$ 923,349</u>	<u>\$ 288,967</u>	<u>\$ 634,382</u>

15. CONSORTIUMS

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

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 Washington County District School Board is a member of the Panhandle Area Educational Consortium - Risk Management Consortium (PAEC-RMC) under which several district school boards have established a combined limited self-insurance program for property, casualty, boiler and machinery, errors and omissions, and workers' compensation. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The PAEC-RMC is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for PAEC-RMC is composed of superintendents of all participating districts. The Washington County District School Board serves as fiscal agent for PAEC-RMC. Activities related to the PAEC-RMC Property/Casualty Program are included in the business-type activities on the financial statements and in Note 17.

The District also participates in an employee group health insurance program administered through the Panhandle Area Educational Consortium – Risk Management Health Consortium. Premiums charged to the districts are based on each individual district's claims experience, and the program operates as an individually-funded plan by each participating district with shared administrative costs and a pooling of plan assets for working capital. Ultimate liability for claims remains with respective districts and, accordingly, the

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insurance risks are not transferred. Each participating district is responsible for any deficit in its account and for payment of any pending claim should the district withdraw from the program. Activities related to the Washington County District School Board's group health insurance program are included in the internal service fund on the financial statements, while activities related to the other participating districts are included in the business-type activities.

A liability in the amount of \$225,596 was actuarially determined to cover estimated incurred, but not reported, District health insurance claims payable at June 30, 2009. The actuarial basis used for estimating the liability for unpaid claims of the District's health plan was the development method. Under the development method, the historical claims data was recorded by incurred month and paid month. The resulting loss development pattern (as claims mature) was used to estimate the future development of existing claims as of the valuation (accounting) date on June 30, 2009. It reflects that practically all claim payments are made within 11 months after the close of the incurred month (12 months of development). However, to be conservative, a 5 percent increase to the incurred but not reported (IBNR) reserve amount has been added to offset such delayed payments. Because any one maturity point of the data can have undue influence on the results, an average monthly amount of claims paid was used to smooth the calculation in determining the total IBNR reserve. The paid claims data has not been adjusted for any excess recoveries, which would otherwise tend to overstate the IBNR reserve.

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

Because of the relatively short payment pattern of the claims, there was no discounting for present value and no provision for trend (change in claims cost per unit over time) other than that inherent in the claims data.

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

<u>Fiscal Year</u>	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2007-2008	\$ 333,029	\$ 3,146,437	\$ (3,257,463)	\$ 222,003
2008-2009	222,003	3,354,821	(3,351,228)	225,596

17. PUBLIC ENTITY RISK POOL

➤ Description of the Fund

The Panhandle Area Educational Consortium – Risk Management Consortium (PAEC-RMC), a public entity risk pool, was organized in 1981 to provide a program of property and casualty insurance coverage for its member school districts. The PAEC-RMC members currently include 12 school districts. Annual assessments are based on previous years' experience. The school districts' assessments are based on the assessment formula developed by the participating school districts.

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➤ **Summary of Significant Accounting Policies**

- **Estimated Insurance Claims Payable.** The liabilities are actuarially determined, based on the estimated ultimate cost of settling all claims, both those reported and unreported, including the effects of inflation and other societal and economic factors.
- **Excess Insurance.** The PAEC-RMC has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund. For the year ended June 30, 2009, the risk pool established a loss fund of \$4,367,500, assessed premiums to fund \$3,850,000 of the loss fund, and purchased specific excess insurance which provides layers of protection per individual and/or occurrence by coverage. In addition, the risk pool purchased aggregate excess insurance, which provides up to \$1 million coverage if the aggregate net losses exceed the loss fund. The pool does not cede reinsurance. The pool paid excess insurance premiums for the year ended June 30, 2009, in the amount of \$4,848,596. The amount of \$391,561 of excess insurance recoverable on unpaid claims was deducted from the liability for unpaid claims at June 30, 2009.

Settled claims resulting from the risks described above have not exceeded commercial insurance for the past three fiscal years.

- **Investment Income.** Investment income is not included herein.
- **Liabilities.** Liabilities for unpaid claims and claims adjustment expenses were not discounted in the 2007-08 and 2008-09 fiscal years.

➤ **Estimated Insurance Claims Payable**

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

	<u>Reconciliation of Claims Liability</u>	
	<u>2007-08</u>	<u>2008-09</u>
Estimated Unpaid Claims Liability at Beginning of Year	<u>\$ 5,105,711</u>	<u>\$ 5,644,920</u>
Incurring Claims and Claims Adjustment Expenses:		
Provisions for Insured Events of the Current Year	3,430,953	3,319,898
Increase (Decrease) in Provision for Events in Prior Years	<u>136,506</u>	<u>(552,913)</u>
Total Insurance Claims Expenses	<u>3,567,459</u>	<u>2,766,985</u>
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of the Current Year	948,829	949,419
Claims and Claims Adjustment Expenses Attributable to Insured Events of the Prior Years	<u>2,079,421</u>	<u>1,830,397</u>
Total Insurance Claims Payable	<u>3,028,250</u>	<u>2,779,816</u>
Estimated Unpaid Claims Liability at End of Year	<u><u>\$ 5,644,920</u></u>	<u><u>\$ 5,632,089</u></u>

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2009**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 112,000.00	\$ 113,728.53	\$ 113,728.53	\$
Federal Through State and Local	346,684.00	109,018.43	109,018.43	
State	25,512,044.79	24,714,580.64	24,714,580.64	
Local:				
Property Taxes	6,117,193.00	6,172,393.63	6,172,393.63	
Miscellaneous	1,378,094.37	1,742,833.06	1,601,435.11	(141,397.95)
Total Revenues	33,466,016.16	32,852,554.29	32,711,156.34	(141,397.95)
Expenditures				
Current - Education:				
Instruction	26,097,758.12	25,461,711.82	20,609,679.83	4,852,031.99
Pupil Personnel Services	1,173,000.11	1,231,500.10	1,214,726.85	16,773.25
Instructional Media Services	604,055.46	588,601.57	553,334.17	35,267.40
Instruction and Curriculum Development Services	412,188.67	291,418.16	279,079.57	12,338.59
Instructional Staff Training Services	203,047.09	363,287.08	289,591.09	73,695.99
Instruction Related Technology	685,436.05	627,388.64	443,526.62	183,862.02
Board of Education	500,944.00	510,349.74	502,757.58	7,592.16
General Administration	221,883.80	417,405.29	392,827.72	24,577.57
School Administration	2,793,695.72	2,948,194.86	2,848,040.86	100,154.00
Facilities Acquisition and Construction	95,598.61	81,262.66		81,262.66
Fiscal Services	522,821.00	523,488.72	497,750.88	25,737.84
Food Services		12,606.77	12,606.77	
Central Services	296,202.18	296,993.19	269,369.94	27,623.25
Pupil Transportation Services	2,428,214.37	2,603,741.27	1,913,166.85	690,574.42
Operation of Plant	2,395,636.89	2,468,951.47	2,358,896.38	110,055.09
Maintenance of Plant	1,621,769.92	1,688,784.59	1,018,680.13	670,104.46
Administrative Technology Services	176,144.17	176,771.85	158,631.85	18,140.00
Community Services	53,965.19	110,230.18	82,014.46	28,215.72
Fixed Capital Outlay:				
Facilities Acquisition and Construction		23,956.04	23,956.04	
Other Capital Outlay		97,633.55	97,633.55	
Total Expenditures	40,282,361.35	40,524,277.55	33,566,271.14	6,958,006.41
Deficiency of Revenues Under Expenditures	(6,816,345.19)	(7,671,723.26)	(855,114.80)	6,816,608.46
Other Financing Sources (Uses)				
Transfers In	329,531.00	388,665.29	388,665.29	
Insurance Loss Recoveries		6,214.27	6,214.27	
Transfers Out	(196,196.00)	(240,584.99)	(240,584.99)	
Total Other Financing Sources (Uses)	133,335.00	154,294.57	154,294.57	
Net Change in Fund Balances	(6,683,010.19)	(7,517,428.69)	(700,820.23)	6,816,608.46
Fund Balances, Beginning	10,469,136.84	10,469,136.84	10,469,136.84	
Fund Balances, Ending	\$ 3,786,126.65	\$ 2,951,708.15	\$ 9,768,316.61	\$ 6,816,608.46

Special Revenue - Other Fund				Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 226,304.00	\$ 779,088.15	\$ 779,088.15	\$	\$	\$ 219,573.60	\$ 219,573.60	\$
4,222,686.75	3,802,478.36	3,802,478.36					
26,383.09	46,697.19	46,697.19					
4,475,373.84	4,628,263.70	4,628,263.70			219,573.60	219,573.60	
2,468,393.97	2,974,964.09	2,091,672.91	883,291.18		231,381.48	175,781.36	55,600.12
1,104,147.80	1,249,390.75	1,140,125.99	109,264.76		26,972.35	29,307.48	(2,335.13)
3.76	1,332.47	1,286.30	46.17				
67,159.12	53,135.49	43,953.13	9,182.36		22,500.00		22,500.00
359,100.91	754,860.42	243,070.38	511,790.04		154,999.00	875.76	154,123.24
136,502.13	151,860.78	116,515.70	35,345.08		20,944.91	10,835.55	10,109.36
2,000.00	5,000.00	3,000.00	2,000.00				
106,441.06	47,758.38	18,941.07	28,817.31		7,505.26	2,773.45	4,731.81
231,625.09	953,267.96	787,760.34	165,507.62				
	181,937.88	181,937.88					
4,475,373.84	6,373,508.22	4,628,263.70	1,745,244.52		464,303.00	219,573.60	244,729.40
	(1,745,244.52)		1,745,244.52		(244,729.40)		244,729.40
	(1,745,244.52)		1,745,244.52		(244,729.40)		244,729.40
\$ 0.00	\$ (1,745,244.52)	\$ 0.00	\$ 1,745,244.52	\$ 0.00	\$ (244,729.40)	\$ 0.00	\$ 244,729.40

WASHINGTON 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	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
October 1, 2007	\$ 0	\$ 23,055,432	\$ 23,055,432	0.00%	\$ 19,813,662	116.36%

WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION - PANHANDLE AREA EDUCATIONAL CONSORTIUM -
RISK MANAGEMENT CONSORTIUM PROPERTY/CASUALTY PROGRAM
For the Fiscal Year Ended June 30, 2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Net Earned Required Contribution and Investment Revenues:										
Earned	\$ 5,011,518	\$ 5,730,428	\$ 6,137,917	\$ 7,770,511	\$ 8,594,629	\$ 8,685,394	\$ 8,924,648	\$ 10,569,582	\$ 10,477,909	\$ 9,867,184
Excess Insured	1,789,817	1,923,628	2,242,906	3,042,116	3,541,645	3,391,913	3,425,355	4,974,901	5,129,437	4,848,596
Total Net Earned Required Contribution and Investment Revenues	3,221,701	3,806,800	3,895,011	4,728,395	5,052,984	5,293,481	5,499,293	5,594,681	5,348,472	5,018,588
Unallocated Expenses	590,907	734,945	965,972	745,505	885,424	936,129	939,537	1,037,647	1,090,175	1,551,016
Estimated Incurred Claims and Expense, End of Policy Year:										
Incurred	3,875,289	3,846,976	3,439,038	2,935,059	3,177,302	2,986,565	3,344,584	2,676,832	3,630,953	3,345,898
Excess Insured	1,379,418	1,266,376	626,225	125,518	490,083	301,207	167,359	112,240	200,000	26,000
Total Estimated Incurred Claims and Expense, End of Policy Year	2,495,871	2,580,600	2,812,813	2,809,541	2,687,219	2,685,358	3,177,225	2,564,592	3,430,953	3,319,898
Net Paid (Cumulative) as of:										
End of Policy Year	964,960	762,413	574,067	727,105	801,593	748,451	957,894	688,723	948,829	949,419
One Year Later	1,845,354	1,878,267	988,050	1,301,917	1,652,454	1,476,847	1,840,666	1,678,444	2,171,636	
Two Years Later	2,275,468	2,479,089	1,352,476	1,595,379	1,917,839	1,789,931	2,623,062	2,180,460		
Three Years Later	2,469,630	2,700,000	1,662,377	1,932,288	2,216,871	2,301,343	2,810,264			
Four Years Later	2,500,000	2,700,000	1,988,947	2,052,405	2,320,070	2,314,401				
Five Years Later	2,500,000	2,700,000	2,139,347	2,031,906	2,384,102					
Six Years Later	2,500,000	2,700,000	1,936,291	2,104,148						
Seven Years Later	2,500,000	2,700,000	2,011,578							
Eight Years Later	2,500,000	2,727,275								
Nine Years Later	2,500,000									
Reestimated Excess Insured Claims and Expense	1,221,990	1,842,636	359,115	17,393	523,846	777,596	491,594	425,953	360,235	26,000
Reestimated Net Incurred Claims and Expense:										
End of Policy Year	2,495,871	2,580,600	2,812,813	2,809,541	2,687,219	2,685,358	3,177,225	2,564,592	3,430,953	3,319,898
One Year Later	2,470,751	2,993,545	2,042,231	2,207,979	2,812,113	2,507,011	3,265,226	3,063,890	3,510,583	
Two Years Later	2,497,245	2,764,282	2,012,686	2,123,938	2,938,031	2,569,324	3,546,669	2,769,356		
Three Years Later	2,499,627	2,721,554	2,242,277	2,478,455	2,755,415	2,676,184	3,213,761			
Four Years Later	2,500,000	2,739,360	2,398,179	2,259,054	2,504,088	2,488,072				
Five Years Later	2,500,000	2,854,118	2,327,092	2,126,181	2,558,025					
Six Years Later	2,500,000	2,712,732	2,017,359	2,246,241						
Seven Years Later	2,500,000	2,712,732	2,141,998							
Eight Years Later	2,500,000	2,944,400								
Nine Years Later	2,500,000									
Increase (Decrease) in Estimated Incurred Claims and Expense from End of Policy Year	4,129	363,800	(670,815)	(563,300)	(129,194)	(197,286)	36,536	204,764	79,630	0

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**WASHINGTON 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
United States Department of Agriculture:				
Indirect:				
Chipola Regional Workforce Development Board, Inc.:				
Supplemental Nutrition Assistance Program	10.551	None	\$ 18,469.85	\$
Florida Department of Education:				
Fresh Fruit and Vegetable Program	10.582	330	8,600.00	
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	258,104.05	
National School Lunch Program	10.555	300	781,767.12	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)(A)	None	81,035.52	
Total Child Nutrition Cluster			1,120,906.69	
Total United States Department of Agriculture			1,147,976.54	
United States Department of Justice:				
Indirect:				
Florida Department of Juvenile Justice:				
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	None	82,886.08	35,387.85
United States Department of Labor:				
Indirect:				
Chipola Regional Workforce Development Board, Inc.:				
WIA Cluster:				
WIA Adult Program	17.258	None	182,505.63	
WIA Youth Activities	17.259	None	147,233.91	
ARRA - WIA Youth Activities, Recovery Act	17.259	None	17,849.24	
WIA Dislocated Workers	17.260	None	98,174.96	
Total WIA Cluster			445,763.74	
Employment Service/Wagner-Peyser Funded Activities	17.207	None	21,761.29	
Unemployment Insurance	17.225	None	69,617.38	
Local Veterans' Employment Representative Program	17.804	None	2,581.71	
Florida's Great Northwest, Inc.:				
WIA Pilots, Demonstrations, and Research Projects	17.261	None	53,181.34	
Total United States Department of Labor			592,905.46	
United States General Services Administration:				
Indirect:				
Florida Department of Management Services:				
Donation of Federal Surplus Personal Property	39.003 (2)(B)	None	4,722.38	
United States Department of Education:				
Direct:				
Federal Pell Grant Program	84.063	N/A	779,088.15	
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	530,155.39	1,123.73
Fund for the Improvement of Education	84.215	N/A	317,601.91	4,284.86
Total Direct			1,626,845.45	5,408.59
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	3,139,014.26	35,819.46
Special Education - Preschool Grants	84.173	266, 267	198,613.62	
ARRA - Special Education Grants to States, Recovery Act	84.391	263	219,573.60	
University of South Florida:				
Special Education - Grants to States	84.027	None	377.70	
Total Special Education Cluster			3,557,579.18	35,819.46
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	186,357.59	
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	1,814,466.71	136,368.79
Migrant Education - State Grant Program	84.011	217	1,285,440.08	126,906.73
Title I Program for Neglected and Delinquent Children	84.013	216	288,611.22	
Career and Technical Education - Basic Grants to States	84.048	161	231,163.52	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	15,946.41	
Education for Homeless Children and Youth	84.196	127	119,454.54	1,300.99
Twenty-First Century Community Learning Centers	84.287	244	53,511.71	53,511.71
State Grants for Innovative Programs	84.298	113	1,848.93	
Education Technology State Grants	84.318	121	493.70	

WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
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
United States Department of Education (Continued):				
Indirect (Continued):				
Florida Department of Education (Continued):				
Reading First State Grants	84.357	211, 213	\$ 1,017,099.53	\$ 724,497.53
Rural Education	84.358	110	69,232.12	
Mathematics and Science Partnerships	84.366	235	968,542.95	336,080.71
Improving Teacher Quality State Grants	84.367	224	223,442.95	
School Improvement Grants	84.377	126	126,564.63	
University of North Carolina at Greensboro:				
Even Start - Migrant Education	84.214	None	39,526.81	
University of South Florida:				
Mathematics and Science Partnerships	84.366	None	169,605.14	
Total Indirect			<u>10,168,887.72</u>	<u>1,414,485.92</u>
Total United States Department of Education			<u>11,795,733.17</u>	<u>1,419,894.51</u>
United States Department of Health and Human Services:				
Indirect:				
Chipola Regional Workforce Development Board, Inc.:				
Temporary Assistance for Needy Families	93.558	None	266,021.48	
Florida Healthy Kids Corporation:				
Children's Health Insurance Program	93.767	None	3,023.61	
Total United States Department of Health and Human Services			<u>269,045.09</u>	
United States Department of Homeland Security:				
Indirect:				
Florida Division of Emergency Management:				
Hazard Mitigation Grant	97.039 (2)(C)	None	60,278.09	
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	113,728.53	
Total Expenditures of Federal Awards			<u>\$ 14,067,275.34</u>	<u>\$ 1,455,282.36</u>

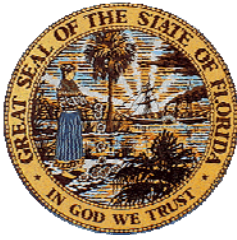
Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement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

(2) Noncash Assistance.

(A) National School Lunch Program - Represents the amount of donated food used during the 2008-09 fiscal year. Commodities are valued at fair value as determined at the time of donation.

(B) Donation of Federal Surplus Personal Property - Represents 23.3 percent of the original acquisition costs of the donated Federal surplus personal property obtained during the fiscal year.

(C) Hazard Mitigation Grant - Represents the Federally-paid portion of an emergency shelter generator totaling \$60,278.09.



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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 business-type activities, each major fund, and the aggregate remaining fund information of the Washington County District School Board as of and for the fiscal year ended June 30, 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, as described in our report on the Washington County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, 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. We consider Financial Statement Finding No. 1, which is described in the **SCHEDULE OF FINDINGS AND**

QUESTIONED COSTS section of this report, to be a significant deficiency in internal control over financial reporting.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is a material weakness.

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.

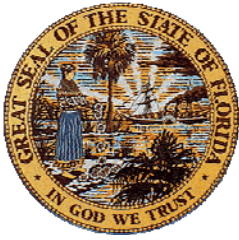
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

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
February 24, 2010



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The President of the Senate, the Speaker of the
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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 Washington 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we considered to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1 to be a significant deficiency.

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. We did not consider the Federal Awards control deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report to be a material weakness.

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
February 24, 2010

**WASHINGTON 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?	Yes
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)?	Yes
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:	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555); WIA Cluster (CFDA Nos. 17.258, 17.259, and 17.260); Title I Grants to Local Educational Entities (CFDA No. 84.010); Migrant Education – State Grant Program (CFDA No. 84.011); Special Education Cluster (CFDA Nos. 84.027, 84.173, and 84.391); Federal Pell Grant Program (CFDA No. 84.063); Twenty-First Century Community Learning Centers (CFDA No. 84.287); and Mathematics and Science Partnerships (CFDA No. 84.366)
Dollar threshold used to distinguish between Type A and Type B programs:	\$422,018
Auditee qualified as low-risk auditee?	No

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

FINANCIAL STATEMENT FINDING

MATERIAL WEAKNESS

Finding No. 1: Due from Excess Insurers – Aggregate Loss Recoveries

The District is fiscal agent for the Panhandle Area Educational Consortium (PAEC) – Risk Management Consortium Property/Casualty Program (Program). The Program provides combined limited self-insurance for certain risks, such as property, casualty, boiler and machinery, errors and omissions, and workers' compensation, and the Program retains risk of loss up to established limits for the specific claim losses and for aggregate claim losses. Based on guidance provided by the District's insurance broker, the District purchased excess insurance coverage providing that, when individual claims for a certain claim year exceeded the predetermined amounts for specific losses or aggregate losses, the excess insurance carriers would reimburse the District for claims payments above the established limits. The District contracted with a third-party administrator (TPA) to review and pay claims, and to file claims with excess insurers once claim payments exceeded the limits established by the insurance policies.

The District indicated that District risk management staff, the TPA, and the insurance broker monitor claims and related recoveries for amounts due from excess insurers that covered specific claim losses. The District recorded approximately \$1.4 million as due from specific excess insurers at June 30, 2008, and received recoveries of that amount during the 2008-09 fiscal year. However, the District relied on the TPA to submit reimbursement requests to the excess insurers for losses above the aggregate claim limit, and did not have effective procedures to ensure that the TPA performed these services timely. For example, although the amount due from aggregate excess insurers at June 30, 2008, was approximately \$1.9 million, the TPA only filed aggregate excess reimbursement requests totaling \$1,000 during the 2008-09 fiscal year, resulting in recoveries of that amount during the fiscal year. Further, although the amount due from aggregate excess insurers at June 30, 2009, was approximately \$2.3 million, the TPA had only requested reimbursement of approximately \$190,000 of aggregate excess insurance recoveries as of December 2009. While TPA records agreed with the amounts recorded for due from aggregate excess insurers, without adequate procedures to monitor the TPA's efforts to recover moneys from aggregate excess insurers, there is an increased risk that those receivables may become uncollectible. Subsequent to further inquiries, District staff indicated that, on January 14, 2010, the TPA submitted a reimbursement request to an excess insurer, totaling approximately \$2 million, for aggregate excess claims paid on selected plan years through November 30, 2009.

Recommendation: The District should establish adequate monitoring procedures to ensure that reimbursement requests are timely filed, and recoveries obtained, from aggregate excess insurers.

ADDITIONAL MATTERS

Finding No. 2: Tangible Personal Property

Chapter 274, Florida Statutes, and Department of Financial Services Rule 69I-73, Florida Administrative Code, require that tangible personal property (TPP) be inventoried annually, that the inventory be compared with the TPP records, and that all discrepancies be reconciled. The District's reported depreciable capital assets included approximately \$16 million for TPP (furniture, fixtures, and equipment, and motor vehicles). For the 2008-09 fiscal year, our review disclosed that physical inventory counts of TPP were completed for 8 of 17 cost centers, mainly during April and May 2009; however, as of November 2009, District personnel had not completed counts at the remaining 9 cost centers. The recorded cost of TPP at the 9 locations was approximately \$11 million at June 30, 2009, which represents 69 percent of the total reported TPP. District personnel indicated that, because of personnel changes and difficulties in locating property items, the District did not properly complete the TPP inventory procedures. Additionally, as of November 2009, District personnel indicated that they were working to complete inventory procedures at the 9 cost centers. Effective controls over tangible personal property should provide for the timely completion, reconciliation, and follow-up of reconciling items noted during the annual physical inventory.

Recommendation: To improve accountability and safeguarding of the District's assets, the District should strengthen its procedures to provide for complete annual physical inventories of all tangible personal property, and appropriate follow-up of unlocated items.

Finding No. 3: 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.

The District reported 109,335 hours for adult general education classes. We tested 2,946 hours reported to FDOE for 44 students enrolled in 46 adult general education classes, and noted exceptions in the enrollment reporting for eight 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 underreported enrollment by 368.5 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. 4: Information Technology – Security Awareness Training Program

A security awareness training program appraises new employees of, and reemphasizes to current employees, the importance of preserving the confidentiality, integrity, and availability of data and information technology (IT) resources entrusted to them. Significant nonpublic records (e.g., student record information and other records that contain sensitive information) are included in the data maintained by the District's IT systems. As also noted in our report No. 2009-163, the District's security training did not facilitate employees' ongoing education and training on certain security responsibilities, such as acceptable or prohibited methods for storage and transmission of data, malicious software and virus threats, workstation controls, and handling of confidential information. The District's failure to address certain issues in their security awareness training program increases the risk that the District's IT resources could be intentionally or unintentionally compromised by employees while performing their assigned duties.

Recommendation: To minimize misuse of IT resources, the District should promote security awareness through ongoing training programs to ensure that its employees are aware of the importance of information handled and their responsibilities for maintaining its confidentiality, integrity, and availability.

Finding No. 5: Information Technology – Disaster Recovery

Disaster recovery planning establishes response and recovery procedures to manage the availability of critical data and computer resources in the event of a disaster or other disruption to operations. The success of the plan may further depend on ensuring third-party providers' commitment to contingency requirements. In response to a finding in our report No. 2009-163, the District developed a written and approved disaster recovery plan, which detailed such recovery elements as critical applications, data, and supporting infrastructure needed for restoration, key personnel, and alternate processing sites. However, the plan did not incorporate response procedures needed to be performed by the District related to a disruption or disaster event occurring at Northwest Regional Data Center (NWRDC) where the District's administrative application systems are processed. In addition, the District had not tested the plan. Given the potential impact of a disaster at NWRDC on District operations, it is important for management to understand and document those responsibilities and procedures necessary to minimize the impact of a disaster. In addition, the absence of a well-executed test of the plan lessens management's assurance of prompt effective continuation of IT operations resulting from recovery efforts.

Recommendation: The District should incorporate elements of NWRDC's disaster recovery plan within its plan related to the procedures and responsibilities District staff will assume should NWRDC experience a disruption in service availability. Further, the District should conduct a test of the plan to ensure the adequacy of its provisions.

Finding No. 6: Information Technology – Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. As similarly noted in our report No. 2009-163, our audit disclosed certain security controls related to management of access privileges and user authentication that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues.

In addition, our audit disclosed instances where security controls related to former employee access and network monitoring needed improvement as described below:

- One of 52 former employees whose access privileges were included in our test on August 25, 2009, continued to have mainframe access following termination of employment on June 30, 2009. The former employee's administrative application access remained until July 21, 2009. In addition, as of the date of our test, the mainframe account history indicated that a password change had been made on July 9, 2009, and the account had last been accessed on July 21, 2009. Although the District had documented procedures for revoking access privileges in response to our report No. 2009-163, the procedures were not sufficient to ensure timely notification to security administrators for revoking access because, while the procedures referred to district and school administrators' notification responsibilities, the procedures did not address format or timeliness and had not been distributed to the administrators. In response to our inquiry, District management indicated that the former employee's account had been authorized for use by another employee through July 21, 2009, at which time access was granted to a new employee. Our review of District records indicated the former employee's account was disabled on October 2, 2009, following notification to the security administrator by the former employee's supervisor. Without timely revocation of former employees' access, the risk is increased that the access privileges could be misused by former employees or others.
- The District had not documented the risk assessment for its implemented audit (security event logging) policy or developed a written procedure for reviewing and monitoring success or failure of selected events to ensure the adequacy and appropriateness of security event monitoring.

Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

Recommendation: The District should improve security controls as noted above to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Special Education – Grants to States (CFDA No. 84.027) and ARRA - Special Education Grants to States, Recovery Act (CFDA No. 84.391)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$67,476 (\$53,704 CFDA No 84.027 and \$13,772 CFDA 84.391)

Allowable Costs/Cost Principles. Improvements could be made in controls over monitoring charges to the Special Education program. The United States Office of Management and Budget *Circular A-87*, Attachment A, Section C.1, provides, in part, that costs must be adequately documented to be allowable under Federal awards. For the 2008-09 fiscal year, the District reported Special Education – Grants to States and ARRA - Special Education Grants to States, Recovery Act program expenditures, totaling approximately \$3,100,000 and \$200,000, respectively, for salaries and benefits, purchased services, and other costs.

To determine whether the District verified that Special Education services were received before payments were made, we requested supporting documentation for all payments, totaling approximately \$93,175, made to two contractors for speech, language, and occupational therapy services. District records indicated that the District made the payments based on invoices listing the contractor service dates and hours; however, District records, such as sign-in and sign-out sheets for students actually served, did not evidence that District personnel verified that the services were received before payments were made. Subsequent to our inquiry, school personnel provided documentation that evidenced the contractors provided services to eligible students for six payments, totaling \$25,699. Consequently,

there remained \$67,476 that was unverified of record, resulting in questioned costs. When Federal charges are not properly monitored, the risk increases that services may not be performed in accordance with grant terms and District intentions.

Recommendation: The District should enhance procedures to ensure that it receives services before it pays for them, and maintains documentation of the process. In addition, the District should document that it properly received services for the questioned costs, totaling \$67,476, or restore these moneys to the grantor (Florida Department of Education).

District Contact Person: Elizabeth Arnold, Director of Exceptional Student Education and Student Services

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2009-163.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 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
2007-118 (2)	Migrant Education - State Grant Program (CFDA No. 84.011); Special Education - Grants to States (CFDA No. 84.027); and Improving Teacher Quality State Grants (CFDA No. 84.367) / Allowable Costs/Cost Principles - Compensation of Personnel Services	Federal salary and benefits were based on budget estimates and no comparisons between the estimates and the actual time and effort records were made. As a result, Federal grants were incorrectly charged, resulting in an overpayment to Special Education of \$8,093.46. This overpayment represents questioned costs subject to disallowance by the grantor agency.	Corrected	The pass-through grantor did not require the District to restore questioned costs.
2008-127 (1)	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555) / Procurement	Improvements could be made to the District's procedures to monitor its contract with a food service management company and to ensure that receipt of food and supplies is adequately documented.	Corrected	The pass-through grantor did not require the District to restore questioned costs.
2008-127 (5)	Twenty-First Century Community Learning Centers (CFDA No. 84.287) / Matching, Level of Effort, Earmarking, and Subrecipient Monitoring	The District did not sufficiently document that it met the non-Federal match requirements resulting in questioned costs of \$188,287. Additionally, the District had not established adequate subrecipient monitoring procedures over Federal funds passed through to other participating districts.	Partially corrected	Questioned costs have not been resolved. District personnel have requested the grantor make a determination concerning the allowability of these questioned
2009-163 (1)	Twenty-First Century Community Learning Centers (CFDA No. 84.287) / Matching, Level of Effort, Earmarking, and Subrecipient Monitoring	The District did not sufficiently document that it met the non-Federal match requirements resulting in questioned costs of \$606,605. Additionally, the District had not established adequate subrecipient monitoring procedures over Federal funds passed through to other participating districts.	Partially corrected	Questioned costs have not been resolved. District personnel have requested the grantor make a determination concerning the allowability of these questioned costs.
2009-163 (2)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) / Matching, Level of Effort, Earmarking - Carryover Funds	Title I moneys for school choice and transportation services, totaling \$112,691.20, were not obligated within a specified timeframe.	Corrected	District restored the questioned costs to the program.
2009-163 (3)	Mathematics and Science Partnerships (CFDA No. 84.366) / Allowable Costs/Cost Principles	The District did not ensure that items purchased were reasonably valued in accordance with Office of Management and Budget <i>Circular A-87</i> provisions, resulting in questioned costs of \$77,625.	Partially corrected	Questioned costs have not been resolved. District personnel have requested the grantor make a determination concerning the allowability of these questioned costs.
2009-163 (4)	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555) / Procurement	Improvements could be made to the District's procedures to review the reasonableness of charges from the food service management company and to ensure that the District fully benefits from any purchase rebates.	Corrected	

EXHIBIT A
MANAGEMENT'S RESPONSE



Dr. Sandra M. Cook
Superintendent of Schools
(850) 638-6222
Fax (850) 638-6226

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

February 23, 2010

District 1
Vann Brock
1160 Whittington Road, Chipley
District 2
Wayne C. Saunders
847 Candy Lane, Chipley
District 3
Pamela Cates
2681 Traverse Drive, Vernon
District 4
Terry Ellis
1306 Pinebluff Court, Chipley
District 5
Susan G. Roberts
1456 State Park Road, Chipley

The Honorable David W. Martin, CPA
Auditor General
111 West Madison Street
Tallahassee, FL 32302

Dear Mr. Martin:

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

Finding No. 1: Due from Excess Insurers – Aggregate Loss Recoveries

The District's risk management staff at Panhandle Area Educational Consortium (PAEC) and the third-party administrator (TPA) have implemented a corrective action plan to collect the past due amounts. Additional monitoring procedures have been established to ensure that reimbursement requests are filed timely, and that subsequently, the recoveries are obtained from the excess carrier.

Finding No. 2: Tangible Personal Property

The District will continue its efforts to follow-up on the unlocated tangible personal property (TPP) items. Subsequent physical inventories will begin earlier in the fiscal year in order to accommodate for timely completion, reconciliation, and follow-up. The District is also considering the feasibility of converting to bar coding for inventory items.

Finding No. 3: Adult General Education Courses

The District will strengthen its communication to all parties concerning changes that are necessary to accurately report instructional contact hours for adult general education courses. Additionally, preliminary reports will be requested and validated for accuracy before submission of final reports to the Florida Department of Education.

Finding No. 4: Information Technology – Security Awareness Training Program

The District's Data Center staff will develop a PowerPoint security awareness training presentation. The presentation along with required "sign-in" forms will be distributed to all principals to be shown

"Quality Education Today For A Better Tomorrow"

Washington County School District
Page 2

during school-level staff meetings at the beginning of each fiscal year. The completed “sign-in” forms will be sent to the Coordinator of Technical Services after each presentation.

Finding No. 5: Information Technology – Disaster Recovery

The District staff will collaborate with Northwest Regional Data Center (NWRDC) staff to incorporate elements of NWRDC’s disaster recovery plan within the District’s approved disaster recovery plan. Considerations are being made to test the plan in the future.

Finding No. 6: Information Technology – Security Controls

The District has implemented security controls that should ensure the continued confidentiality, integrity, and availability of District data and IT resources. Specific details are not given in this response.

Federal Awards Finding No. 1: Allowable Costs/Cost Principals

The District is collecting the documentation that evidences the contractors provided the services to eligible students and were entitled to the payments received. Additionally, procedures have been put in place to ensure that all supporting documentation is available prior to the payment of invoices. The documentation will include the name of the student, date of services, and the school where the services were provided. Sign in sheets at the schools will be used to confirm that the contractor was at the site on that particular date. IEP’s will be used to document the stated service is required for the individual student.

(Contact: Elizabeth Arnold, Director of ESE and Student Services)

I appreciate the professional manner in which your staff conducted the audit and the assistance they provide my staff during the course of the audit.

Sincerely,

Dr. Sandra M. Cook

Digitally signed by Dr. Sandra M. Cook
DN: cn=Dr. Sandra M. Cook, o=Washington County School
District, ou=Superintendent, email=cook_s@ftrn.edu, c=US
Date: 2010.02.23 08:51:47 -0600

Dr. Sandra M. Cook, Superintendent