

# WASHINGTON COUNTY DISTRICT SCHOOL BOARD

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## Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended  
June 30, 2011



STATE OF FLORIDA  
AUDITOR GENERAL  
DAVID W. MARTIN, CPA

## BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2010-11 fiscal year are listed below:

|                                                                   | <u>District No.</u> |
|-------------------------------------------------------------------|---------------------|
| Vann Brock, Chair to 11-15-10                                     | 1                   |
| Wayne C. Saunders, Vice Chair to 11-15-10,<br>Chair from 11-16-10 | 2                   |
| Pamela S. Cates                                                   | 3                   |
| Terry Ellis, Vice Chair from 11-16-10                             | 4                   |
| Susan G. Roberts                                                  | 5                   |

Dr. Sandra M. Cook, Superintendent

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

The audit team leader was Shelly G. Curti, CPA, and the audit was supervised by Patricia S. Crutchfield, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 487-9039.

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**EXECUTIVE SUMMARY**

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**Summary of Report on Financial Statements**

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

**Summary of Report on Internal Control and Compliance**

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

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

**ADDITIONAL MATTERS**

**Finding No. 1:** District records did not sufficiently evidence that performance assessments of instructional personnel and school administrators were based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes (2010).

**Finding No. 2:** The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22 (1)(c)2, Florida Statutes (2010), and documenting the differentiated pay process of instructional personnel and school-based administrators using factors prescribed in Section 1012.22 (1)(c)4., Florida Statutes (2010).

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

**Finding No. 4:** The District's procedures for cancelling terminated employees' purchasing card privileges needed improvement.

**Finding No. 5:** The District's management of information technology (IT) access privileges needed improvement.

**Finding No. 6:** The District did not have a written IT security incident response plan.

**Finding No. 7:** The District's IT security controls related to data loss prevention and management of access privileges needed improvement.

**Summary of Report on Federal Awards**

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Part A Cluster; Migrant Education; Special Education Cluster; Educational Technology State Grants Cluster; Voluntary Public School Choice; State Fiscal Stabilization Fund Cluster; Race-to-the-Top Incentive Grants; Education Jobs Fund; and TANF Cluster programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs. However, we did note a noncompliance and control deficiency finding as summarized below.

**Federal Awards Finding No. 1:** The District, as fiscal agent for PAEC, could enhance procedures to document allowability of costs and subrecipient monitoring for the Voluntary Public School Choice grant.

### 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. 2011-144.

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, 2011. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

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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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District 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 16 percent of the assets and 43 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal 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.

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

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 17, 2012

## 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 2010-11 fiscal year are as follows:

- The District's total net assets decreased by \$807,484.17, comprised of an increase in net assets of governmental activities of \$37,597.65, and a decrease in net assets of business-type activities of \$845,081.82.
- During the current fiscal year, General Fund revenues exceeded expenditures by \$554,272.73. This may be compared to last fiscal year's results in which General Fund revenues exceeded expenditures by \$998,165.26.

### OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

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

#### Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net 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 District's financial health. 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 the following categories:

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

- Business-type activities – These activities account for the financial resources of the Panhandle Area Educational Consortium (PAEC), the PAEC – Risk Management 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 the broad categories discussed below.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds 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, and Special Revenue – Federal Economic Stimulus Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

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

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

Than Risk Management Fund – Federal Economic Stimulus Fund, and the PAEC – Programs Other Than Risk Management Fund. In addition, the internal service fund is a single column in the proprietary fund financial statements.

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

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

### Notes to Financial Statements

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

### 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, 2011, compared to net assets as of June 30, 2010:

|                              | Net Assets, End of Year |                        |                          |                        |                        |                        |
|------------------------------|-------------------------|------------------------|--------------------------|------------------------|------------------------|------------------------|
|                              | Governmental Activities |                        | Business-Type Activities |                        | Total                  |                        |
|                              | 6-30-11                 | 6-30-10                | 6-30-11                  | 6-30-10                | 6-30-11                | 6-30-10                |
| Current and Other Assets     | \$17,734,447.49         | \$15,917,008.15        | \$21,370,041.92          | \$22,086,082.68        | \$39,104,489.41        | \$38,003,090.83        |
| Capital Assets               | 62,483,528.56           | 63,616,088.84          | 2,179,831.68             | 2,267,226.56           | 64,663,360.24          | 65,883,315.40          |
| <b>Total Assets</b>          | <b>80,217,976.05</b>    | <b>79,533,096.99</b>   | <b>23,549,873.60</b>     | <b>24,353,309.24</b>   | <b>103,767,849.65</b>  | <b>103,886,406.23</b>  |
| Long-Term Liabilities        | 6,245,851.23            | 5,599,582.09           | 6,413,530.81             | 6,391,596.69           | 12,659,382.04          | 11,991,178.78          |
| Other Liabilities            | 2,327,141.13            | 2,326,128.86           | 2,700,455.46             | 2,680,743.40           | 5,027,596.59           | 5,006,872.26           |
| <b>Total Liabilities</b>     | <b>8,572,992.36</b>     | <b>7,925,710.95</b>    | <b>9,113,986.27</b>      | <b>9,072,340.09</b>    | <b>17,686,978.63</b>   | <b>16,998,051.04</b>   |
| Net Assets:                  |                         |                        |                          |                        |                        |                        |
| Invested in Capital Assets - |                         |                        |                          |                        |                        |                        |
| Net of Related Debt          | 62,283,528.56           | 63,391,088.84          | 2,179,831.68             | 2,267,226.56           | 64,463,360.24          | 65,658,315.40          |
| Restricted                   | 5,688,823.68            | 3,820,871.70           | 12,649,309.42            | 13,231,220.64          | 18,338,133.10          | 17,052,092.34          |
| Unrestricted (Deficit)       | 3,672,631.45            | 4,395,425.50           | (393,253.77)             | (217,478.05)           | 3,279,377.68           | 4,177,947.45           |
| <b>Total Net Assets</b>      | <b>\$71,644,983.69</b>  | <b>\$71,607,386.04</b> | <b>\$14,435,887.33</b>   | <b>\$15,280,969.15</b> | <b>\$86,080,871.02</b> | <b>\$86,888,355.19</b> |

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

The restricted portion of the District's net assets (21 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (4 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

At the end of the fiscal year, the District is able to report positive balances in all three categories of net assets for the governmental activities. The business-type activities have a deficit unrestricted net assets, which is due to the District's future liabilities for employee compensated absences and other postemployment benefits; however, the District has sufficient current assets to meet its current obligations. The unrestricted net assets of the business-type activities of \$921,108.04 (after exclusion of compensated absences of \$968,371.81 and other postemployment benefits payable of \$345,990.00) may be used to meet the business-type activities' ongoing obligations to employees and creditors.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2011, and June 30, 2010, are as follows:

| Operating Results for the Fiscal Year Ended                                 |                            |                      |                             |                        |                        |                        |
|-----------------------------------------------------------------------------|----------------------------|----------------------|-----------------------------|------------------------|------------------------|------------------------|
|                                                                             | Governmental<br>Activities |                      | Business-Type<br>Activities |                        | Total                  |                        |
|                                                                             | 6-30-11                    | 6-30-10              | 6-30-11                     | 6-30-10                | 6-30-11                | 6-30-10                |
| Program Revenues:                                                           |                            |                      |                             |                        |                        |                        |
| Charges for Services                                                        | \$ 1,704,477.64            | \$ 1,771,314.19      | \$ 9,018,817.70             | \$ 9,608,903.73        | \$ 10,723,295.34       | \$ 11,380,217.92       |
| Operating Grants and Contributions                                          | 1,311,153.21               | 2,112,264.64         | 491,639.77                  | 597,737.31             | 1,802,792.98           | 2,710,001.95           |
| Capital Grants and Contributions                                            | 169,793.03                 | 401,565.02           |                             |                        | 169,793.03             | 401,565.02             |
| General Revenues:                                                           |                            |                      |                             |                        |                        |                        |
| Property Taxes, Levied for Operational Purposes                             | 6,304,754.95               | 6,506,043.29         |                             |                        | 6,304,754.95           | 6,506,043.29           |
| Property Taxes, Levied for Capital Projects                                 | 1,506,576.69               | 1,561,261.91         |                             |                        | 1,506,576.69           | 1,561,261.91           |
| Grants and Contributions Not Restricted to Specific Programs                | 30,446,988.59              | 29,890,488.41        | 9,526,060.75                | 8,495,847.89           | 39,973,049.34          | 38,386,336.30          |
| Unrestricted Investment Earnings                                            | 103,740.18                 | 152,115.49           | 138,161.58                  | 211,839.50             | 241,901.76             | 363,954.99             |
| Gain on Disposal of Assets                                                  | 39,379.47                  |                      |                             |                        | 39,379.47              |                        |
| Miscellaneous                                                               | 889,221.32                 | 606,909.87           | 201,438.82                  | 302,880.04             | 1,090,660.14           | 909,789.91             |
| <b>Total Revenues</b>                                                       | <b>42,476,085.08</b>       | <b>43,001,962.82</b> | <b>19,376,118.62</b>        | <b>19,217,208.47</b>   | <b>61,852,203.70</b>   | <b>62,219,171.29</b>   |
| Functions/Program Expenses:                                                 |                            |                      |                             |                        |                        |                        |
| Instruction                                                                 | 21,837,573.92              | 22,412,538.57        |                             |                        | 21,837,573.92          | 22,412,538.57          |
| Pupil Personnel Services                                                    | 2,614,638.00               | 2,414,612.85         |                             |                        | 2,614,638.00           | 2,414,612.85           |
| Instructional Media Services                                                | 515,154.07                 | 552,892.81           |                             |                        | 515,154.07             | 552,892.81             |
| Instruction and Curriculum Development Services                             | 341,970.92                 | 345,402.06           |                             |                        | 341,970.92             | 345,402.06             |
| Instructional Staff Training Services                                       | 736,715.09                 | 861,718.77           |                             |                        | 736,715.09             | 861,718.77             |
| Instruction Related Technology                                              | 461,041.33                 | 446,557.20           |                             |                        | 461,041.33             | 446,557.20             |
| School Board                                                                | 429,648.18                 | 519,121.02           |                             |                        | 429,648.18             | 519,121.02             |
| General Administration                                                      | 439,652.58                 | 437,708.12           |                             |                        | 439,652.58             | 437,708.12             |
| School Administration                                                       | 2,795,914.86               | 2,810,636.24         |                             |                        | 2,795,914.86           | 2,810,636.24           |
| Facilities Acquisition and Construction                                     | 7,724.24                   | 154,975.53           |                             |                        | 7,724.24               | 154,975.53             |
| Fiscal Services                                                             | 513,795.13                 | 520,041.77           |                             |                        | 513,795.13             | 520,041.77             |
| Food Services                                                               | 1,763,044.71               | 1,804,953.07         |                             |                        | 1,763,044.71           | 1,804,953.07           |
| Central Services                                                            | 221,207.46                 | 228,648.26           |                             |                        | 221,207.46             | 228,648.26             |
| Pupil Transportation Services                                               | 2,472,887.78               | 2,364,195.99         |                             |                        | 2,472,887.78           | 2,364,195.99           |
| Operation of Plant                                                          | 2,321,963.98               | 2,152,564.28         |                             |                        | 2,321,963.98           | 2,152,564.28           |
| Maintenance of Plant                                                        | 931,239.60                 | 1,092,074.84         |                             |                        | 931,239.60             | 1,092,074.84           |
| Administrative Technology Services                                          | 133,341.78                 | 131,098.71           |                             |                        | 133,341.78             | 131,098.71             |
| Community Services                                                          | 1,562,652.98               | 1,310,584.58         |                             |                        | 1,562,652.98           | 1,310,584.58           |
| Unallocated Interest on Long-Term Debt                                      | 11,350.34                  | 12,526.07            |                             |                        | 11,350.34              | 12,526.07              |
| Unallocated Depreciation Expense                                            | 2,172,363.17               | 2,170,384.72         |                             |                        | 2,172,363.17           | 2,170,384.72           |
| Loss on Disposal of Capital Assets                                          |                            | 128,119.94           |                             |                        |                        | 128,119.94             |
| Panhandle Area Educational Consortium - Risk Management Property/Casualty   |                            |                      | 8,213,133.35                | 7,905,613.52           | 8,213,133.35           | 7,905,613.52           |
| Panhandle Area Educational Consortium - Risk Management Health              |                            |                      | 63,278.14                   | 54,811.51              | 63,278.14              | 54,811.51              |
| Panhandle Area Educational Consortium - Programs Other Than Risk Management |                            |                      |                             |                        |                        |                        |
| Federal - Economic Stimulus Fund                                            |                            |                      | 1,178,443.70                | 552,940.22             | 1,178,443.70           | 552,940.22             |
| Panhandle Area Educational Consortium - Programs Other Than Risk Management |                            |                      | 10,920,952.56               | 11,086,930.51          | 10,920,952.56          | 11,086,930.51          |
| <b>Total Functions/Program Expenses</b>                                     | <b>42,283,880.12</b>       | <b>42,871,355.40</b> | <b>20,375,807.75</b>        | <b>19,600,295.76</b>   | <b>62,659,687.87</b>   | <b>62,471,651.16</b>   |
| <b>Excess (Deficiency) Before Transfers</b>                                 | <b>192,204.96</b>          | <b>130,607.42</b>    | <b>(999,689.13)</b>         | <b>(383,087.29)</b>    | <b>(807,484.17)</b>    | <b>(252,479.87)</b>    |
| Transfers In (Out)                                                          | (154,607.31)               | (50,899.25)          | 154,607.31                  | 50,899.25              |                        |                        |
| <b>Increase (Decrease) in Net Assets</b>                                    | <b>\$ 37,597.65</b>        | <b>\$ 79,708.17</b>  | <b>\$ (845,081.82)</b>      | <b>\$ (332,188.04)</b> | <b>\$ (807,484.17)</b> | <b>\$ (252,479.87)</b> |

While the net assets for the governmental activities of the District increased for both years, one notable difference for the 2010-11 fiscal year is a decrease of \$801,111.43 in operating grants and contributions. This is primarily due to a change in funding source for pupil transportation funds, which is now included in grants and contributions not restricted to specific programs.

During the 2010-11 fiscal year, the net assets for the District's business-type activities decreased. The decrease is primarily due to a decrease in premium revenues in the PAEC – Risk Management Property/Casualty Fund of \$755,288.64, as a result of the Consortium using \$1 million in surplus funds to reduce District premium assessments. This decrease was partially offset by an increase in revenues from charges for services and sales in the PAEC – Programs Other Than Risk Management Fund of \$165,202.61.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### Major Governmental Funds

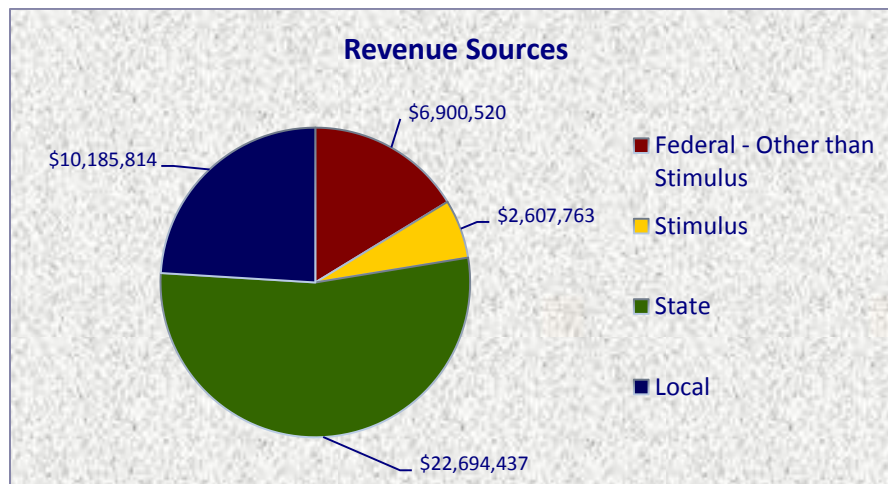
The District adopted Governmental Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Types Definitions*, for the fiscal year ending June 30, 2011. The reporting standard establishes a hierarchy for the fund balance classifications. The following indicates the District's governmental fund balances by category for the General Fund, which is the District's chief operating fund:

- *Nonspendable:* The nonspendable fund balance at June 30, 2011, is \$175,499.36. This amount is for investments in the Fund B Surplus Funds Trust Fund, which is not subject to participant withdrawal requests.
- *Restricted Fund Balance:* The total restricted fund balance at June 30, 2011, is \$4,058,651.75, which consists of the following: state required carryover programs, \$2,597,727.46; workforce development, \$1,170,066.66; other purposes – required carryover programs, \$101,949.34; and Public Education Capital Outlay maintenance, \$188,908.29.
- *Committed Fund Balance:* Funds totaling \$5,875,995.43 are committed for compensated absences, contract school carryovers, project carryovers, environmental cleanup, and replacement of economic stimulus and class size reduction funds.
- *Unassigned Fund Balance:* The unassigned General Fund balance is \$2,158,083.65 at June 30, 2011.

The overall fund balance in the General Fund increased as a result of Education Jobs Fund moneys being used to pay for expenditures formerly paid from the General Fund.

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

The following chart indicates the source of revenues for the District's governmental activities for the 2010-11 fiscal year.



### Proprietary Funds

The net assets of the PAEC – Risk Management Property/Casualty Enterprise Fund total \$12,602,749.87 at June 30, 2011, a decrease of \$594,226.92 from the previous fiscal year. This decrease was primarily due to a decrease in premium revenues.

The net assets of the PAEC – Programs Other Than Risk Management Enterprise Fund total \$1,744,991.66 at June 30, 2011. This fund had a decrease of \$285,474.53, due, in part, to an increase in compensated absences and other postemployment benefits payable.

The PAEC – Programs Other Than Risk Management – Federal Economic Stimulus Enterprise Fund has minimal net assets at the end of the current fiscal year, which is invested in capital assets. The District used these funds to account for Federal program resources received by the Consortium.

The net assets of the PAEC – Risk Management Health Enterprise Fund did not significantly change from the previous fiscal 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 less than budgeted expenditures.

### CAPITAL ASSETS AND LONG-TERM DEBT

#### Capital Assets

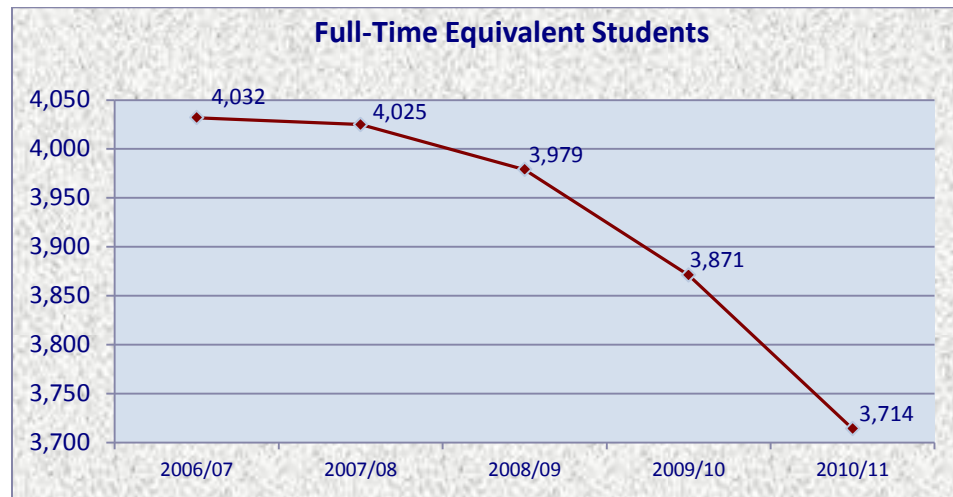
There were no major capital asset events during the current fiscal.

#### Long-Term Debt

The District did not issue any long-term debt during the 2010-11 fiscal year.

### OTHER MATTERS OF SIGNIFICANCE

- *Student Enrollment and Funding:* State revenues comprise 72 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.
- *School Closure:* The State of Florida closed the North West Florida Youth Development Center, formally known as, the A. G. Dozier School for Boys, effective June 30, 2011. The District provided educational services to the Center.
- *Full-Time Equivalent Students:* The following chart reflects the trend of FTE for the last five fiscal years. Since the 2006-07 fiscal year, the District's FTE has been in a steady state of decline. The 2010-11 fiscal year count is down 318 from the 2006-07 fiscal year count. This difference is primarily a result of the decline in enrollment at North West Florida Youth Development Center and Okeechobee Youth Development Center.



### REQUESTS FOR INFORMATION

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

## BASIC FINANCIAL STATEMENTS

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS  
June 30, 2011**

|                                                 |                            | Primary Government          |                          |
|-------------------------------------------------|----------------------------|-----------------------------|--------------------------|
|                                                 | Governmental<br>Activities | Business-Type<br>Activities | Total                    |
| <b>ASSETS</b>                                   |                            |                             |                          |
| Cash and Cash Equivalents                       | \$ 14,693,919.07           | \$ 21,378,437.20            | \$ 36,072,356.27         |
| Investments                                     | 221,473.59                 | 384,344.16                  | 605,817.75               |
| Accounts Receivable                             | 95,915.37                  | 2,054.35                    | 97,969.72                |
| Internal Balances                               | 1,785,392.30               | (1,785,392.30)              |                          |
| Due from Other Agencies                         | 892,139.16                 | 230,647.53                  | 1,122,786.69             |
| Due from Excess Insurer                         | 45,608.00                  | 1,156,788.17                | 1,202,396.17             |
| Inventories                                     |                            | 3,162.81                    | 3,162.81                 |
| Capital Assets:                                 |                            |                             |                          |
| Nondepreciable Capital Assets                   | 1,997,021.90               | 665,380.10                  | 2,662,402.00             |
| Depreciable Capital Assets, Net                 | 60,486,506.66              | 1,514,451.58                | 62,000,958.24            |
| <b>TOTAL ASSETS</b>                             | <b>\$ 80,217,976.05</b>    | <b>\$ 23,549,873.60</b>     | <b>\$ 103,767,849.65</b> |
| <b>LIABILITIES</b>                              |                            |                             |                          |
| Salaries and Benefits Payable                   | \$ 775,727.33              | \$                          | \$ 775,727.33            |
| Payroll Deductions and Withholdings             | 175,365.30                 |                             | 175,365.30               |
| Accounts Payable                                | 927,234.17                 | 343,234.73                  | 1,270,468.90             |
| Due to Other Agencies                           | 8,647.41                   | 2,203,977.86                | 2,212,625.27             |
| Deposits Payable                                | 300.00                     |                             | 300.00                   |
| Deferred Revenue                                | 217,657.92                 | 153,242.87                  | 370,900.79               |
| Estimated Insurance Claims Payable              | 222,209.00                 |                             | 222,209.00               |
| Long-Term Liabilities:                          |                            |                             |                          |
| Portion Due Within One Year                     | 455,030.44                 | 2,063,958.00                | 2,518,988.44             |
| Portion Due After One Year                      | 5,790,820.79               | 4,349,572.81                | 10,140,393.60            |
| <b>Total Liabilities</b>                        | <b>8,572,992.36</b>        | <b>9,113,986.27</b>         | <b>17,686,978.63</b>     |
| <b>NET ASSETS</b>                               |                            |                             |                          |
| Invested in Capital Assets, Net of Related Debt | 62,283,528.56              | 2,179,831.68                | 64,463,360.24            |
| Restricted for:                                 |                            |                             |                          |
| State Required Carryover Programs               | 2,597,727.46               |                             | 2,597,727.46             |
| Debt Service                                    | 7,056.14                   |                             | 7,056.14                 |
| Capital Projects                                | 1,502,720.02               |                             | 1,502,720.02             |
| Food Service                                    | 120,395.77                 |                             | 120,395.77               |
| Risk Management Programs                        |                            | 12,649,309.42               | 12,649,309.42            |
| Workforce Development                           | 1,170,066.66               |                             | 1,170,066.66             |
| Public Education Capital Outlay Maintenance     | 188,908.29                 |                             | 188,908.29               |
| Other Required Carryover Programs               | 101,949.34                 |                             | 101,949.34               |
| Unrestricted                                    | 3,672,631.45               | (393,253.77)                | 3,279,377.68             |
| <b>Total Net Assets</b>                         | <b>71,644,983.69</b>       | <b>14,435,887.33</b>        | <b>86,080,871.02</b>     |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>         | <b>\$ 80,217,976.05</b>    | <b>\$ 23,549,873.60</b>     | <b>\$ 103,767,849.65</b> |

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, 2011**

| Functions/Programs                                             | Expenses         | Program Revenues           |                                          |                                        |
|----------------------------------------------------------------|------------------|----------------------------|------------------------------------------|----------------------------------------|
|                                                                |                  | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| Primary Government                                             |                  |                            |                                          |                                        |
| Governmental Activities:                                       |                  |                            |                                          |                                        |
| Instruction                                                    | \$ 21,837,573.92 | \$ 1,118,936.40            | \$                                       | \$                                     |
| Pupil Personnel Services                                       | 2,614,638.00     |                            |                                          |                                        |
| Instructional Media Services                                   | 515,154.07       |                            |                                          |                                        |
| Instruction and Curriculum Development Services                | 341,970.92       |                            |                                          |                                        |
| Instructional Staff Training Services                          | 736,715.09       |                            |                                          |                                        |
| Instruction Related Technology                                 | 461,041.33       |                            |                                          |                                        |
| School Board                                                   | 429,648.18       |                            |                                          |                                        |
| General Administration                                         | 439,652.58       |                            |                                          |                                        |
| School Administration                                          | 2,795,914.86     |                            |                                          |                                        |
| Facilities Acquisition and Construction                        | 7,724.24         |                            |                                          | 106,253.32                             |
| Fiscal Services                                                | 513,795.13       |                            |                                          |                                        |
| Food Services                                                  | 1,763,044.71     | 463,140.06                 | 1,311,153.21                             |                                        |
| Central Services                                               | 221,207.46       |                            |                                          |                                        |
| Pupil Transportation Services                                  | 2,472,887.78     | 122,401.18                 |                                          |                                        |
| Operation of Plant                                             | 2,321,963.98     |                            |                                          |                                        |
| Maintenance of Plant                                           | 931,239.60       |                            |                                          | 27,905.00                              |
| Administrative Technology Services                             | 133,341.78       |                            |                                          |                                        |
| Community Services                                             | 1,562,652.98     |                            |                                          |                                        |
| Unallocated Interest on Long-Term Debt                         | 11,350.34        |                            |                                          | 35,634.71                              |
| Unallocated Depreciation Expense*                              | 2,172,363.17     |                            |                                          |                                        |
| Total Governmental Activities                                  | 42,283,880.12    | 1,704,477.64               | 1,311,153.21                             | 169,793.03                             |
| Business-Type Activities:                                      |                  |                            |                                          |                                        |
| Panhandle Area Educational Consortium - Risk Management        |                  |                            |                                          |                                        |
| Property/Casualty                                              | 8,213,133.35     | 7,481,314.43               | 12,505.00                                |                                        |
| Panhandle Area Educational Consortium - Risk Management Health | 63,278.14        |                            | 67,513.00                                |                                        |
| Panhandle Area Educational Consortium - Programs Other Than    |                  |                            |                                          |                                        |
| Risk Management - Federal Economic Stimulus Fund               | 1,178,443.70     |                            |                                          |                                        |
| Panhandle Area Educational Consortium - Programs Other Than    |                  |                            |                                          |                                        |
| Risk Management                                                | 10,920,952.56    | 1,537,503.27               | 411,621.77                               |                                        |
| Total Business-Type Activities                                 | 20,375,807.75    | 9,018,817.70               | 491,639.77                               |                                        |
| Total Primary Government                                       | \$ 62,659,687.87 | \$ 10,723,295.34           | \$ 1,802,792.98                          | \$ 169,793.03                          |
| 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                                                  |                  |                            |                                          |                                        |
| Gain on Disposal of Capital Assets                             |                  |                            |                                          |                                        |
| Transfers                                                      |                  |                            |                                          |                                        |
| Total General Revenues and Transfers                           |                  |                            |                                          |                                        |
| Change in Net Assets                                           |                  |                            |                                          |                                        |
| Net Assets - Beginning                                         |                  |                            |                                          |                                        |
| Net Assets - Ending                                            |                  |                            |                                          |                                        |

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

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

| Net (Expense) Revenue and Changes in Net Assets |                             |                    |
|-------------------------------------------------|-----------------------------|--------------------|
| Primary Government                              |                             |                    |
| Governmental<br>Activities                      | Business-Type<br>Activities | Total              |
| \$ (20,718,637.52)                              | \$                          | \$ (20,718,637.52) |
| (2,614,638.00)                                  |                             | (2,614,638.00)     |
| (515,154.07)                                    |                             | (515,154.07)       |
| (341,970.92)                                    |                             | (341,970.92)       |
| (736,715.09)                                    |                             | (736,715.09)       |
| (461,041.33)                                    |                             | (461,041.33)       |
| (429,648.18)                                    |                             | (429,648.18)       |
| (439,652.58)                                    |                             | (439,652.58)       |
| (2,795,914.86)                                  |                             | (2,795,914.86)     |
| 98,529.08                                       |                             | 98,529.08          |
| (513,795.13)                                    |                             | (513,795.13)       |
| 11,248.56                                       |                             | 11,248.56          |
| (221,207.46)                                    |                             | (221,207.46)       |
| (2,350,486.60)                                  |                             | (2,350,486.60)     |
| (2,321,963.98)                                  |                             | (2,321,963.98)     |
| (903,334.60)                                    |                             | (903,334.60)       |
| (133,341.78)                                    |                             | (133,341.78)       |
| (1,562,652.98)                                  |                             | (1,562,652.98)     |
| 24,284.37                                       |                             | 24,284.37          |
| (2,172,363.17)                                  |                             | (2,172,363.17)     |
| (39,098,456.24)                                 |                             | (39,098,456.24)    |
|                                                 | (719,313.92)                | (719,313.92)       |
|                                                 | 4,234.86                    | 4,234.86           |
|                                                 | (1,178,443.70)              | (1,178,443.70)     |
|                                                 | (8,971,827.52)              | (8,971,827.52)     |
|                                                 | (10,865,350.28)             | (10,865,350.28)    |
| (39,098,456.24)                                 | (10,865,350.28)             | (49,963,806.52)    |
| 6,304,754.95                                    |                             | 6,304,754.95       |
| 1,506,576.69                                    |                             | 1,506,576.69       |
| 30,446,988.59                                   | 9,526,060.75                | 39,973,049.34      |
| 103,740.18                                      | 138,161.58                  | 241,901.76         |
| 889,221.32                                      | 201,438.82                  | 1,090,660.14       |
| 39,379.47                                       |                             | 39,379.47          |
| (154,607.31)                                    | 154,607.31                  |                    |
| 39,136,053.89                                   | 10,020,268.46               | 49,156,322.35      |
| 37,597.65                                       | (845,081.82)                | (807,484.17)       |
| 71,607,386.04                                   | 15,280,969.15               | 86,888,355.19      |
| \$ 71,644,983.69                                | \$ 14,435,887.33            | \$ 86,080,871.02   |

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2011**

|                                                                 | General<br>Fund             | Special<br>Revenue -<br>Other<br>Fund | Special<br>Revenue -<br>Federal Economic<br>Stimulus Fund |
|-----------------------------------------------------------------|-----------------------------|---------------------------------------|-----------------------------------------------------------|
|                                                                 | <u>                    </u> | <u>                    </u>           | <u>                    </u>                               |
| <b>ASSETS</b>                                                   |                             |                                       |                                                           |
| Cash and Cash Equivalents                                       | \$ 12,970,582.19            | \$ 12,616.27                          | \$                                                        |
| Investments                                                     | 175,499.36                  |                                       |                                                           |
| Accounts Receivable                                             | 95,915.37                   |                                       |                                                           |
| Due from Other Funds                                            | 169,491.29                  |                                       |                                                           |
| Due from Other Agencies                                         | 69,577.04                   | 561,968.46                            | 7,461.41                                                  |
|                                                                 | <u>                    </u> | <u>                    </u>           | <u>                    </u>                               |
| <b>TOTAL ASSETS</b>                                             | <u>\$ 13,481,065.25</u>     | <u>\$ 574,584.73</u>                  | <u>\$ 7,461.41</u>                                        |
| <b>LIABILITIES AND FUND BALANCES</b>                            |                             |                                       |                                                           |
| Liabilities:                                                    |                             |                                       |                                                           |
| Salaries and Benefits Payable                                   | \$ 775,727.33               | \$                                    | \$                                                        |
| Payroll Deductions and Withholdings                             | 175,365.30                  |                                       |                                                           |
| Accounts Payable                                                | 87,333.05                   | 178,466.10                            | 7,067.06                                                  |
| Due to Other Funds                                              | 152,869.31                  | 382,814.55                            | 394.35                                                    |
| Due to Other Agencies                                           | 8,232.17                    | 415.24                                |                                                           |
| Deposits Payable                                                | 300.00                      |                                       |                                                           |
| Deferred Revenue                                                | 13,007.90                   | 12,888.84                             |                                                           |
|                                                                 | <u>                    </u> | <u>                    </u>           | <u>                    </u>                               |
| <b>Total Liabilities</b>                                        | <u>1,212,835.06</u>         | <u>574,584.73</u>                     | <u>7,461.41</u>                                           |
| Fund Balances:                                                  |                             |                                       |                                                           |
| Nonspendable:                                                   |                             |                                       |                                                           |
| Fund B Investments                                              | 175,499.36                  |                                       |                                                           |
| Restricted for:                                                 |                             |                                       |                                                           |
| State Required Carryover Programs                               | 2,597,727.46                |                                       |                                                           |
| Debt Service                                                    |                             |                                       |                                                           |
| Capital Projects                                                |                             |                                       |                                                           |
| Food Service                                                    |                             |                                       |                                                           |
| Workforce Development                                           | 1,170,066.66                |                                       |                                                           |
| Other Required Carryover Programs                               | 101,949.34                  |                                       |                                                           |
| Public Education Capital Outlay Maintenance                     | 188,908.29                  |                                       |                                                           |
| Total Restricted Fund Balance                                   | <u>4,058,651.75</u>         |                                       |                                                           |
| Committed to:                                                   |                             |                                       |                                                           |
| Compensated Absences                                            | 3,268,376.24                |                                       |                                                           |
| Contract School Carryovers                                      | 593,906.20                  |                                       |                                                           |
| Cost Center Carryovers                                          | 666,293.33                  |                                       |                                                           |
| Project Carryovers                                              | 178,903.66                  |                                       |                                                           |
| Environmental Cleanup                                           | 200,000.00                  |                                       |                                                           |
| Replacement of Economic Stimulus and Class Size Reduction Funds | 968,516.00                  |                                       |                                                           |
| Total Committed Fund Balance                                    | <u>5,875,995.43</u>         |                                       |                                                           |
| Assigned to Capital Projects                                    |                             |                                       |                                                           |
| Unassigned Fund Balance                                         | 2,158,083.65                |                                       |                                                           |
|                                                                 | <u>                    </u> | <u>                    </u>           | <u>                    </u>                               |
| <b>Total Fund Balances</b>                                      | <u>12,268,230.19</u>        | <u>                    </u>           | <u>                    </u>                               |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>                      | <u>\$ 13,481,065.25</u>     | <u>\$ 574,584.73</u>                  | <u>\$ 7,461.41</u>                                        |

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

| Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------|--------------------------------|
| <u>                    </u>    | <u>                    </u>    |
| \$ 1,710,720.61                | \$ 14,693,919.07               |
| 45,974.23                      | 221,473.59                     |
|                                | 95,915.37                      |
|                                | 169,491.29                     |
| <u>253,132.25</u>              | <u>892,139.16</u>              |
| <u>\$ 2,009,827.09</u>         | <u>\$ 16,072,938.48</u>        |
| <br>                           |                                |
| \$                             | \$ 775,727.33                  |
|                                | 175,365.30                     |
| 56,984.18                      | 329,850.39                     |
|                                | 536,078.21                     |
|                                | 8,647.41                       |
|                                | 300.00                         |
| <u>191,761.18</u>              | <u>217,657.92</u>              |
| <u>248,745.36</u>              | <u>2,043,626.56</u>            |
| <br>                           |                                |
| <u>38,918.09</u>               | <u>214,417.45</u>              |
|                                | 2,597,727.46                   |
| 7,056.14                       | 7,056.14                       |
| 1,463,801.93                   | 1,463,801.93                   |
| 120,395.77                     | 120,395.77                     |
|                                | 1,170,066.66                   |
|                                | 101,949.34                     |
|                                | 188,908.29                     |
| <u>1,591,253.84</u>            | <u>5,649,905.59</u>            |
|                                | 3,268,376.24                   |
|                                | 593,906.20                     |
|                                | 666,293.33                     |
|                                | 178,903.66                     |
|                                | 200,000.00                     |
|                                | 968,516.00                     |
|                                | <u>5,875,995.43</u>            |
| <u>130,909.80</u>              | <u>130,909.80</u>              |
| <u>                    </u>    | <u>2,158,083.65</u>            |
| <br>                           |                                |
| <u>1,761,081.73</u>            | <u>14,029,311.92</u>           |
| <u>\$ 2,009,827.09</u>         | <u>\$ 16,072,938.48</u>        |

WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011

|                                                 |                  |
|-------------------------------------------------|------------------|
| <b>Total Fund Balances - Governmental Funds</b> | \$ 14,029,311.92 |
|-------------------------------------------------|------------------|

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. | 62,483,528.56 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|

|                                                                                                                                                                                                                                                                   |              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| 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. | 1,377,994.44 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|

Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

|                                       |               |                |
|---------------------------------------|---------------|----------------|
| Bonds Payable                         | \$ 200,000.00 |                |
| Compensated Absences Payable          | 3,701,145.23  |                |
| Other Postemployment Benefits Payable | 2,344,706.00  | (6,245,851.23) |
|                                       |               |                |

|                                                   |                         |
|---------------------------------------------------|-------------------------|
| <b>Total Net Assets - Governmental Activities</b> | <b>\$ 71,644,983.69</b> |
|---------------------------------------------------|-------------------------|

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, 2011

|                                                 | General<br>Fund         | Special<br>Revenue -<br>Other<br>Fund | Special<br>Revenue -<br>Federal Economic<br>Stimulus Fund |
|-------------------------------------------------|-------------------------|---------------------------------------|-----------------------------------------------------------|
| <b>Revenues</b>                                 |                         |                                       |                                                           |
| Intergovernmental:                              |                         |                                       |                                                           |
| Federal Direct                                  | \$ 88,971.83            | \$ 1,270,384.36                       | \$                                                        |
| Federal Through State and Local                 | 167,612.45              | 4,086,862.92                          | 2,607,762.81                                              |
| State                                           | 22,227,497.01           | 274,784.65                            |                                                           |
| Local:                                          |                         |                                       |                                                           |
| Property Taxes                                  | 6,304,754.95            |                                       |                                                           |
| Charges for Services - Food Service             |                         |                                       |                                                           |
| Miscellaneous                                   | 1,894,916.50            |                                       |                                                           |
| <b>Total Revenues</b>                           | <u>30,683,752.74</u>    | <u>5,632,031.93</u>                   | <u>2,607,762.81</u>                                       |
| <b>Expenditures</b>                             |                         |                                       |                                                           |
| Current - Education:                            |                         |                                       |                                                           |
| Instruction                                     | 17,225,547.05           | 2,025,088.98                          | 2,307,824.13                                              |
| Pupil Personnel Services                        | 1,234,184.86            | 1,281,295.16                          | 70,079.52                                                 |
| Instructional Media Services                    | 490,080.25              |                                       | 19,042.59                                                 |
| Instruction and Curriculum Development Services | 283,267.04              | 60,088.82                             |                                                           |
| Instructional Staff Training Services           | 212,766.03              | 354,014.25                            | 172,474.86                                                |
| Instruction Related Technology                  | 454,020.77              |                                       |                                                           |
| School Board                                    | 427,295.43              |                                       |                                                           |
| General Administration                          | 302,635.56              | 119,121.07                            | 12,121.26                                                 |
| School Administration                           | 2,790,351.16            |                                       |                                                           |
| Facilities Acquisition and Construction         |                         |                                       |                                                           |
| Fiscal Services                                 | 511,791.33              |                                       |                                                           |
| Food Services                                   | 34,533.74               |                                       | 1,842.56                                                  |
| Central Services                                | 216,034.22              |                                       | 18,303.39                                                 |
| Pupil Transportation Services                   | 2,053,496.85            | 4,349.02                              |                                                           |
| Operation of Plant                              | 2,316,492.95            | 5,114.43                              |                                                           |
| Maintenance of Plant                            | 916,958.06              |                                       |                                                           |
| Administrative Technology Services              | 175,718.12              |                                       |                                                           |
| Community Services                              | 60,926.00               | 1,501,726.98                          |                                                           |
| Fixed Capital Outlay:                           |                         |                                       |                                                           |
| Facilities Acquisition and Construction         | 28,375.82               |                                       |                                                           |
| Other Capital Outlay                            | 395,004.77              | 281,233.22                            | 6,074.50                                                  |
| Debt Service:                                   |                         |                                       |                                                           |
| Principal                                       |                         |                                       |                                                           |
| Interest and Fiscal Charges                     |                         |                                       |                                                           |
| <b>Total Expenditures</b>                       | <u>30,129,480.01</u>    | <u>5,632,031.93</u>                   | <u>2,607,762.81</u>                                       |
| <b>Excess of Revenues Over Expenditures</b>     | <u>554,272.73</u>       |                                       |                                                           |
| <b>Other Financing Sources (Uses)</b>           |                         |                                       |                                                           |
| Transfers In                                    | 591,416.17              |                                       |                                                           |
| Proceeds from Sale of Capital Assets            | 42,952.50               |                                       |                                                           |
| Insurance Loss Recoveries                       | 21,308.18               |                                       |                                                           |
| Transfers Out                                   | (148,069.31)            |                                       |                                                           |
| <b>Total Other Financing Sources (Uses)</b>     | <u>507,607.54</u>       |                                       |                                                           |
| <b>Net Change in Fund Balances</b>              | 1,061,880.27            |                                       |                                                           |
| Fund Balances, Beginning                        | 11,206,349.92           |                                       |                                                           |
| <b>Fund Balances, Ending</b>                    | <u>\$ 12,268,230.19</u> | <u>\$ 0.00</u>                        | <u>\$ 0.00</u>                                            |

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

| Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------|--------------------------------|
| <u>                    </u>    | <u>                    </u>    |
| \$                             | \$                             |
| 1,286,688.21                   | 1,359,356.19                   |
| 192,155.24                     | 8,148,926.39                   |
|                                | 22,694,436.90                  |
| 1,506,576.69                   | 7,811,331.64                   |
| 463,140.06                     | 463,140.06                     |
| <u>16,425.44</u>               | <u>1,911,341.94</u>            |
| <u>3,464,985.64</u>            | <u>42,388,533.12</u>           |
|                                | 21,558,460.16                  |
|                                | 2,585,559.54                   |
|                                | 509,122.84                     |
|                                | 343,355.86                     |
|                                | 739,255.14                     |
|                                | 454,020.77                     |
|                                | 427,295.43                     |
|                                | 433,877.89                     |
|                                | 2,790,351.16                   |
| 7,724.24                       | 7,724.24                       |
|                                | 511,791.33                     |
| 1,743,004.32                   | 1,779,380.62                   |
|                                | 234,337.61                     |
|                                | 2,057,845.87                   |
|                                | 2,321,607.38                   |
|                                | 916,958.06                     |
|                                | 175,718.12                     |
|                                | 1,562,652.98                   |
| 124,463.56                     | 152,839.38                     |
| 612,441.36                     | 1,294,753.85                   |
| 25,000.00                      | 25,000.00                      |
| <u>11,350.34</u>               | <u>11,350.34</u>               |
| <u>2,523,983.82</u>            | <u>40,893,258.57</u>           |
| <u>941,001.82</u>              | <u>1,495,274.55</u>            |
|                                | 591,416.17                     |
|                                | 42,952.50                      |
|                                | 21,308.18                      |
| <u>(597,954.17)</u>            | <u>(746,023.48)</u>            |
| <u>(597,954.17)</u>            | <u>(90,346.63)</u>             |
| 343,047.65                     | 1,404,927.92                   |
| <u>1,418,034.08</u>            | <u>12,624,384.00</u>           |
| <u>\$ 1,761,081.73</u>         | <u>\$ 14,029,311.92</u>        |

**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, 2011**

|                                                         |                 |
|---------------------------------------------------------|-----------------|
| <b>Net Change in Fund Balances - Governmental Funds</b> | \$ 1,404,927.92 |
|---------------------------------------------------------|-----------------|

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 depreciation expense in excess of capital outlays in the current period. | (1,128,987.25) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|

|                                                                                                                                                                                                                                                                                                                                           |            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 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. | (3,573.03) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|

|                                                                                                                                                                                                                        |           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Repayment of long-term debt is an expenditures 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 fiscal year. | 25,000.00 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

|                                                                                                                                                                                                                                                                                                                                                             |            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 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 fiscal year. | 222,614.86 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|

|                                                                                                                                                                                                                                                                                             |              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year. | (893,884.00) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|

|                                                                                                                                                                                                                     |            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| 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. | 411,499.15 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|

|                                                       |              |
|-------------------------------------------------------|--------------|
| <b>Change in Net Assets - Governmental Activities</b> | \$ 37,597.65 |
|-------------------------------------------------------|--------------|

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, 2011**

|                                         | Business-Type Activities - Enterprise Funds                                           |                                                                            |                                                                                                                                   |                                                                                            |                         | Governmental Activities -<br>Internal<br>Service<br>Fund |
|-----------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-------------------------|----------------------------------------------------------|
|                                         | Panhandle Area<br>Educational<br>Consortium -<br>Risk Management<br>Property/Casualty | Panhandle Area<br>Educational<br>Consortium -<br>Risk Management<br>Health | Panhandle Area<br>Educational<br>Consortium -<br>Programs Other<br>Than Risk<br>Management -<br>Federal Economic<br>Stimulus Fund | Panhandle Area<br>Educational<br>Consortium -<br>Programs Other<br>Than Risk<br>Management | Total                   |                                                          |
| <b>ASSETS</b>                           |                                                                                       |                                                                            |                                                                                                                                   |                                                                                            |                         |                                                          |
| Current Assets:                         |                                                                                       |                                                                            |                                                                                                                                   |                                                                                            |                         |                                                          |
| Cash and Cash Equivalents               | \$ 16,326,416.29                                                                      | \$ 4,350,186.76                                                            | \$                                                                                                                                | \$ 701,834.15                                                                              | \$ 21,378,437.20        | \$                                                       |
| Investments                             | 298,967.39                                                                            | 41,009.55                                                                  |                                                                                                                                   | 44,367.22                                                                                  | 384,344.16              |                                                          |
| Accounts Receivable                     |                                                                                       |                                                                            |                                                                                                                                   | 2,054.35                                                                                   | 2,054.35                |                                                          |
| Due From Other Funds                    | 4,800.00                                                                              |                                                                            | 476.01                                                                                                                            | 383,569.39                                                                                 | 388,845.40              | 2,151,979.22                                             |
| Due From Other Agencies                 |                                                                                       |                                                                            |                                                                                                                                   | 230,647.53                                                                                 | 230,647.53              |                                                          |
| Due From Excess Insurer                 | 1,156,788.17                                                                          |                                                                            |                                                                                                                                   |                                                                                            | 1,156,788.17            | 45,608.00                                                |
| Inventories                             |                                                                                       |                                                                            |                                                                                                                                   | 3,162.81                                                                                   | 3,162.81                |                                                          |
| <b>Total Current Assets</b>             | <b>17,786,971.85</b>                                                                  | <b>4,391,196.31</b>                                                        | <b>476.01</b>                                                                                                                     | <b>1,365,635.45</b>                                                                        | <b>23,544,279.62</b>    | <b>2,197,587.22</b>                                      |
| Noncurrent Assets:                      |                                                                                       |                                                                            |                                                                                                                                   |                                                                                            |                         |                                                          |
| Land                                    |                                                                                       |                                                                            |                                                                                                                                   | 665,380.10                                                                                 | 665,380.10              |                                                          |
| Improvements Other Than Buildings, Net  |                                                                                       |                                                                            |                                                                                                                                   | 199,974.15                                                                                 | 199,974.15              |                                                          |
| Buildings and Fixed Equipment, Net      |                                                                                       |                                                                            |                                                                                                                                   | 1,005,244.50                                                                               | 1,005,244.50            |                                                          |
| Furniture, Fixtures, and Equipment, Net | 9,796.93                                                                              | 1,333.10                                                                   | 30,174.75                                                                                                                         | 252,691.17                                                                                 | 293,995.95              |                                                          |
| Computer Software, Net                  | 281.47                                                                                |                                                                            |                                                                                                                                   | 14,955.51                                                                                  | 15,236.98               |                                                          |
| <b>Total Noncurrent Assets</b>          | <b>10,078.40</b>                                                                      | <b>1,333.10</b>                                                            | <b>30,174.75</b>                                                                                                                  | <b>2,138,245.43</b>                                                                        | <b>2,179,831.68</b>     |                                                          |
| <b>TOTAL ASSETS</b>                     | <b>\$ 17,797,050.25</b>                                                               | <b>\$ 4,392,529.41</b>                                                     | <b>\$ 30,650.76</b>                                                                                                               | <b>\$ 3,503,880.88</b>                                                                     | <b>\$ 25,724,111.30</b> | <b>\$ 2,197,587.22</b>                                   |
| <b>LIABILITIES</b>                      |                                                                                       |                                                                            |                                                                                                                                   |                                                                                            |                         |                                                          |
| Current Liabilities:                    |                                                                                       |                                                                            |                                                                                                                                   |                                                                                            |                         |                                                          |
| Accounts Payable                        | \$ 27,646.79                                                                          | \$                                                                         | \$ 395.27                                                                                                                         | \$ 315,192.67                                                                              | \$ 343,234.73           | \$ 597,383.78                                            |
| Due to Other Funds                      | 7,209.29                                                                              | 2,151,979.22                                                               | 80.74                                                                                                                             | 14,968.45                                                                                  | 2,174,237.70            |                                                          |
| Due to Other Agencies                   | 5,973.78                                                                              | 2,174,067.63                                                               |                                                                                                                                   | 23,936.45                                                                                  | 2,203,977.86            |                                                          |
| Deferred Revenue                        |                                                                                       |                                                                            |                                                                                                                                   | 153,242.87                                                                                 | 153,242.87              |                                                          |
| Estimated Insurance Claims Payable      | 2,063,958.00                                                                          |                                                                            |                                                                                                                                   |                                                                                            | 2,063,958.00            | 222,209.00                                               |
| <b>Total Current Liabilities</b>        | <b>2,104,787.86</b>                                                                   | <b>4,326,046.85</b>                                                        | <b>476.01</b>                                                                                                                     | <b>507,340.44</b>                                                                          | <b>6,938,651.16</b>     | <b>819,592.78</b>                                        |
| Noncurrent Liabilities:                 |                                                                                       |                                                                            |                                                                                                                                   |                                                                                            |                         |                                                          |
| Compensated Absences Payable            | 38,125.43                                                                             | 4,469.75                                                                   |                                                                                                                                   | 925,776.63                                                                                 | 968,371.81              |                                                          |
| Estimated Insurance Claims Payable      | 3,035,211.00                                                                          |                                                                            |                                                                                                                                   |                                                                                            | 3,035,211.00            |                                                          |
| Other Postemployment Benefits Payable   | 16,176.09                                                                             | 4,041.76                                                                   |                                                                                                                                   | 325,772.15                                                                                 | 345,990.00              |                                                          |
| <b>Total Noncurrent Liabilities</b>     | <b>3,089,512.52</b>                                                                   | <b>8,511.51</b>                                                            |                                                                                                                                   | <b>1,251,548.78</b>                                                                        | <b>4,349,572.81</b>     |                                                          |
| <b>Total Liabilities</b>                | <b>5,194,300.38</b>                                                                   | <b>4,334,558.36</b>                                                        | <b>476.01</b>                                                                                                                     | <b>1,758,889.22</b>                                                                        | <b>11,288,223.97</b>    | <b>819,592.78</b>                                        |
| <b>NET ASSETS</b>                       |                                                                                       |                                                                            |                                                                                                                                   |                                                                                            |                         |                                                          |
| Invested in Capital Assets              | 10,078.40                                                                             | 1,333.10                                                                   | 30,174.75                                                                                                                         | 2,138,245.43                                                                               | 2,179,831.68            |                                                          |
| Unrestricted                            | 12,592,671.47                                                                         | 56,637.95                                                                  |                                                                                                                                   | (393,253.77)                                                                               | 12,256,055.65           | 1,377,994.44                                             |
| <b>Total Net Assets</b>                 | <b>12,602,749.87</b>                                                                  | <b>57,971.05</b>                                                           | <b>30,174.75</b>                                                                                                                  | <b>1,744,991.66</b>                                                                        | <b>14,435,887.33</b>    | <b>1,377,994.44</b>                                      |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$ 17,797,050.25</b>                                                               | <b>\$ 4,392,529.41</b>                                                     | <b>\$ 30,650.76</b>                                                                                                               | <b>\$ 3,503,880.88</b>                                                                     | <b>\$ 25,724,111.30</b> | <b>\$ 2,197,587.22</b>                                   |

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, 2011**

|                                         | Business-Type Activities - Enterprise Funds                                           |                                                                            |                                                                                                                                   |                                                                                            |                         | Governmental Activities -   |
|-----------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-------------------------|-----------------------------|
|                                         | Panhandle Area<br>Educational<br>Consortium -<br>Risk Management<br>Property/Casualty | Panhandle Area<br>Educational<br>Consortium -<br>Risk Management<br>Health | Panhandle Area<br>Educational<br>Consortium -<br>Programs Other<br>Than Risk<br>Management -<br>Federal Economic<br>Stimulus Fund | Panhandle Area<br>Educational<br>Consortium -<br>Programs Other<br>Than Risk<br>Management | Total                   | Internal<br>Service<br>Fund |
| <b>OPERATING REVENUES</b>               |                                                                                       |                                                                            |                                                                                                                                   |                                                                                            |                         |                             |
| Charges for Services                    | \$                                                                                    | \$                                                                         | \$                                                                                                                                | \$ 1,509,159.92                                                                            | \$ 1,509,159.92         | \$                          |
| Charges for Sales                       |                                                                                       |                                                                            |                                                                                                                                   | 28,343.35                                                                                  | 28,343.35               |                             |
| Premium Revenues                        | 7,481,314.43                                                                          |                                                                            |                                                                                                                                   | 411,621.77                                                                                 | 7,481,314.43            | 4,839,455.21                |
| Other Operating Revenues                | 12,505.00                                                                             | 67,513.00                                                                  |                                                                                                                                   | 491,639.77                                                                                 |                         |                             |
| <b>Total Operating Revenues</b>         | <b>7,493,819.43</b>                                                                   | <b>67,513.00</b>                                                           |                                                                                                                                   | <b>1,949,125.04</b>                                                                        | <b>9,510,457.47</b>     | <b>4,839,455.21</b>         |
| <b>OPERATING EXPENSES</b>               |                                                                                       |                                                                            |                                                                                                                                   |                                                                                            |                         |                             |
| Salaries                                | 195,989.90                                                                            | 46,056.72                                                                  | 381,817.11                                                                                                                        | 3,449,867.88                                                                               | 4,073,731.61            |                             |
| Employee Benefits                       | 59,157.88                                                                             | 16,116.30                                                                  | 103,327.58                                                                                                                        | 1,019,672.92                                                                               | 1,198,274.68            |                             |
| Purchased Services                      | 335,742.91                                                                            | 22.59                                                                      | 327,953.16                                                                                                                        | 4,569,333.33                                                                               | 5,233,051.99            | 53,670.96                   |
| Energy Services                         |                                                                                       |                                                                            |                                                                                                                                   | 54,690.78                                                                                  | 54,690.78               |                             |
| Materials and Supplies                  | 6,033.68                                                                              |                                                                            | 18,753.15                                                                                                                         | 293,652.84                                                                                 | 318,439.67              |                             |
| Capital Outlay                          |                                                                                       |                                                                            | 297,780.50                                                                                                                        | 1,003,362.90                                                                               | 1,301,143.40            |                             |
| Insurance Claims                        | 2,837,614.58                                                                          |                                                                            |                                                                                                                                   |                                                                                            | 2,837,614.58            | 3,270,864.90                |
| Excess Insurance Premiums               | 4,280,708.11                                                                          |                                                                            |                                                                                                                                   |                                                                                            | 4,280,708.11            | 752,040.91                  |
| Service Agent Fees                      | 490,773.00                                                                            |                                                                            |                                                                                                                                   |                                                                                            | 490,773.00              | 361,552.63                  |
| Other Expenses                          | 325.00                                                                                |                                                                            | 44,947.63                                                                                                                         | 353,095.87                                                                                 | 398,368.50              |                             |
| Depreciation                            | 6,788.29                                                                              | 1,082.53                                                                   | 3,864.57                                                                                                                          | 172,219.51                                                                                 | 183,954.90              |                             |
| <b>Total Operating Expenses</b>         | <b>8,213,133.35</b>                                                                   | <b>63,278.14</b>                                                           | <b>1,178,443.70</b>                                                                                                               | <b>10,915,896.03</b>                                                                       | <b>20,370,751.22</b>    | <b>4,438,129.40</b>         |
| <b>Operating Income (Loss)</b>          | <b>(719,313.92)</b>                                                                   | <b>4,234.86</b>                                                            | <b>(1,178,443.70)</b>                                                                                                             | <b>(8,966,770.99)</b>                                                                      | <b>(10,860,293.75)</b>  | <b>401,325.81</b>           |
| <b>NONOPERATING REVENUES (EXPENSES)</b> |                                                                                       |                                                                            |                                                                                                                                   |                                                                                            |                         |                             |
| Interest Revenue                        | 125,087.00                                                                            | 210.02                                                                     |                                                                                                                                   | 12,864.56                                                                                  | 138,161.58              | 10,173.34                   |
| Federal Grants                          |                                                                                       |                                                                            | 1,208,618.45                                                                                                                      | 7,677,803.85                                                                               | 8,886,422.30            |                             |
| State Grants                            |                                                                                       |                                                                            |                                                                                                                                   | 639,638.45                                                                                 | 639,638.45              |                             |
| Miscellaneous Local Sources             |                                                                                       |                                                                            |                                                                                                                                   | 201,438.82                                                                                 | 201,438.82              |                             |
| Loss on Disposal of Assets              |                                                                                       |                                                                            |                                                                                                                                   | (5,056.53)                                                                                 | (5,056.53)              |                             |
| <b>Total Nonoperating Revenues</b>      | <b>125,087.00</b>                                                                     | <b>210.02</b>                                                              | <b>1,208,618.45</b>                                                                                                               | <b>8,526,689.15</b>                                                                        | <b>9,860,604.62</b>     | <b>10,173.34</b>            |
| <b>Income (Loss) Before Transfers</b>   | <b>(594,226.92)</b>                                                                   | <b>4,444.88</b>                                                            | <b>30,174.75</b>                                                                                                                  | <b>(440,081.84)</b>                                                                        | <b>(999,689.13)</b>     | <b>411,499.15</b>           |
| Transfers In                            |                                                                                       |                                                                            |                                                                                                                                   | 154,607.31                                                                                 | 154,607.31              |                             |
| <b>Change in Net Assets</b>             | <b>(594,226.92)</b>                                                                   | <b>4,444.88</b>                                                            | <b>30,174.75</b>                                                                                                                  | <b>(285,474.53)</b>                                                                        | <b>(845,081.82)</b>     | <b>411,499.15</b>           |
| Total Net Assets - Beginning            | 13,196,976.79                                                                         | 53,526.17                                                                  |                                                                                                                                   | 2,030,466.19                                                                               | 15,280,969.15           | 966,495.29                  |
| <b>Total Net Assets - Ending</b>        | <b>\$ 12,602,749.87</b>                                                               | <b>\$ 57,971.05</b>                                                        | <b>\$ 30,174.75</b>                                                                                                               | <b>\$ 1,744,991.66</b>                                                                     | <b>\$ 14,435,887.33</b> | <b>\$ 1,377,994.44</b>      |

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, 2011**

|                                                                 | Business-Type Activities - Enterprise Funds                                           |                                                                            |                                                                                                                                   |                                                                                            | Total                   | Governmental Activities -<br>Internal<br>Service<br>Fund |
|-----------------------------------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-------------------------|----------------------------------------------------------|
|                                                                 | Panhandle Area<br>Educational<br>Consortium -<br>Risk Management<br>Property/Casualty | Panhandle Area<br>Educational<br>Consortium -<br>Risk Management<br>Health | Panhandle Area<br>Educational<br>Consortium -<br>Programs Other<br>Than Risk<br>Management -<br>Federal Economic<br>Stimulus Fund | Panhandle Area<br>Educational<br>Consortium -<br>Programs Other<br>Than Risk<br>Management |                         |                                                          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                                                                                       |                                                                            |                                                                                                                                   |                                                                                            |                         |                                                          |
| Cash Received from Board Funds and Participants                 | \$ 7,481,314.43                                                                       | \$                                                                         | \$                                                                                                                                | \$ 1,681,359.76                                                                            | \$ 9,162,674.19         | \$ 4,839,455.21                                          |
| Cash Payments to Suppliers for Goods and Services               | (5,110,116.81)                                                                        | (22.59)                                                                    | (689,434.44)                                                                                                                      | (6,492,130.16)                                                                             | (12,291,704.00)         | (1,394,969.72)                                           |
| Cash Payments to Employees for Services                         | (244,226.00)                                                                          | (62,627.93)                                                                | (485,144.69)                                                                                                                      | (4,307,487.55)                                                                             | (5,099,486.17)          |                                                          |
| Cash Payments for Insurance Claims                              | (2,988,200.58)                                                                        |                                                                            |                                                                                                                                   |                                                                                            | (2,988,200.58)          | (3,307,868.90)                                           |
| Cash Received (Paid) from Other Operating Revenues              | 584,574.30                                                                            | 456,309.60                                                                 |                                                                                                                                   | 411,621.77                                                                                 | 1,452,505.67            | (146,789.93)                                             |
| <b>Net Cash Provided (Used) by Operating Activities</b>         | <b>(276,654.66)</b>                                                                   | <b>393,659.08</b>                                                          | <b>(1,174,579.13)</b>                                                                                                             | <b>(8,706,636.18)</b>                                                                      | <b>(9,764,210.89)</b>   | <b>(10,173.34)</b>                                       |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |                                                                                       |                                                                            |                                                                                                                                   |                                                                                            |                         |                                                          |
| Proceeds from Gifts and Federal and State Grants                |                                                                                       |                                                                            | 1,208,618.45                                                                                                                      | 8,518,881.12                                                                               | 9,727,499.57            |                                                          |
| Transfer from Other Funds                                       |                                                                                       |                                                                            |                                                                                                                                   | 154,607.31                                                                                 | 154,607.31              |                                                          |
| <b>Net Cash Provided by Noncapital Financing Activities</b>     |                                                                                       |                                                                            | <b>1,208,618.45</b>                                                                                                               | <b>8,673,488.43</b>                                                                        | <b>9,882,106.88</b>     |                                                          |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                                                                                       |                                                                            |                                                                                                                                   |                                                                                            |                         |                                                          |
| Acquisition and Construction of Capital Assets                  |                                                                                       |                                                                            | (34,039.32)                                                                                                                       | (67,577.23)                                                                                | (101,616.55)            |                                                          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                                                                                       |                                                                            |                                                                                                                                   |                                                                                            |                         |                                                          |
| Proceeds from Sales and Maturity of Investments                 | 23,574.17                                                                             | 3,233.69                                                                   |                                                                                                                                   | 3,498.43                                                                                   | 30,306.29               |                                                          |
| Interest Income                                                 | 125,087.00                                                                            | 210.02                                                                     |                                                                                                                                   | 12,864.56                                                                                  | 138,161.58              | 10,173.34                                                |
| <b>Net Cash Provided by Investing Activities</b>                | <b>148,661.17</b>                                                                     | <b>3,443.71</b>                                                            |                                                                                                                                   | <b>16,362.99</b>                                                                           | <b>168,467.87</b>       | <b>10,173.34</b>                                         |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>     | <b>(127,993.49)</b>                                                                   | <b>397,102.79</b>                                                          |                                                                                                                                   | <b>(84,361.99)</b>                                                                         | <b>184,747.31</b>       |                                                          |
| Cash and Cash Equivalents, Beginning                            | 16,454,409.78                                                                         | 3,953,083.97                                                               |                                                                                                                                   | 786,196.14                                                                                 | 21,193,689.89           |                                                          |
| <b>Cash and Cash Equivalents, Ending</b>                        | <b>\$ 16,326,416.29</b>                                                               | <b>\$ 4,350,186.76</b>                                                     | <b>\$ 0.00</b>                                                                                                                    | <b>\$ 701,834.15</b>                                                                       | <b>\$ 21,378,437.20</b> | <b>\$ 0.00</b>                                           |

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

|                                                                                                       |                        |                      |                          |                          |                          |                       |
|-------------------------------------------------------------------------------------------------------|------------------------|----------------------|--------------------------|--------------------------|--------------------------|-----------------------|
| Operating Income (Loss)                                                                               | \$ (719,313.92)        | \$ 4,234.86          | \$ (1,178,443.70)        | \$ (8,966,770.99)        | \$ (10,860,293.75)       | \$ 401,325.81         |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: |                        |                      |                          |                          |                          |                       |
| Depreciation                                                                                          | 6,788.29               | 1,082.53             | 3,864.57                 | 172,219.51               | 183,954.90               |                       |
| Changes in Assets and Liabilities:                                                                    |                        |                      |                          |                          |                          |                       |
| Decrease in Accounts Receivable                                                                       |                        |                      |                          | 66,291.86                | 66,291.86                | 27,877.67             |
| Decrease in Due from Excess Insurer                                                                   | 572,069.30             |                      |                          |                          | 572,069.30               | 123,225.00            |
| (Increase) Decrease in Due From Other Funds                                                           | (4,800.00)             |                      | (476.01)                 | 169,242.11               | 163,966.10               | (297,892.60)          |
| Increase in Due From Other Agencies                                                                   |                        |                      |                          | (80,982.41)              | (80,982.41)              |                       |
| Increase in Inventory                                                                                 |                        |                      |                          | (536.92)                 | (536.92)                 |                       |
| Increase (Decrease) in Accounts Payable                                                               | 2,116.12               |                      | 395.27                   | (23,009.38)              | (20,497.99)              | (227,705.22)          |
| Increase (Decrease) in Compensated Absences                                                           | 3,923.37               | (2,200.64)           |                          | 28,019.39                | 29,742.12                |                       |
| Increase in Other Postemployment Benefits Payable                                                     | 6,998.41               | 1,745.73             |                          | 134,033.86               | 142,778.00               |                       |
| Increase (Decrease) in Due to Other Funds                                                             | 545.99                 | 297,892.60           | 80.74                    | (148,845.48)             | 149,673.85               |                       |
| Increase (Decrease) in Due to Other Agencies                                                          | 5,603.78               | 90,904.00            |                          | (45,602.66)              | 50,905.12                |                       |
| Decrease in Deferred Revenue                                                                          |                        |                      |                          | (10,695.07)              | (10,695.07)              |                       |
| Decrease in Estimated Insurance Claims Payable                                                        | (150,586.00)           |                      |                          |                          | (150,586.00)             | (37,004.00)           |
| <b>Total Adjustments</b>                                                                              | <b>442,659.26</b>      | <b>389,424.22</b>    | <b>3,864.57</b>          | <b>260,134.81</b>        | <b>1,096,082.86</b>      | <b>(411,499.15)</b>   |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                               | <b>\$ (276,654.66)</b> | <b>\$ 393,659.08</b> | <b>\$ (1,174,579.13)</b> | <b>\$ (8,706,636.18)</b> | <b>\$ (9,764,210.89)</b> | <b>\$ (10,173.34)</b> |

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, 2011**

|                           | Agency<br>Funds                  |
|---------------------------|----------------------------------|
|                           | <hr/>                            |
| <b>ASSETS</b>             |                                  |
| Cash and Cash Equivalents | \$ 735,819.00                    |
| Investments               | 39,030.00                        |
| Inventory                 | <hr/> 33,926.00                  |
| <b>TOTAL ASSETS</b>       | <hr/> <b>\$ 808,775.00</b> <hr/> |
| <b>LIABILITIES</b>        |                                  |
| Accounts Payable          | \$ 19,885.00                     |
| Internal Accounts Payable | <hr/> 788,890.00                 |
| <b>TOTAL LIABILITIES</b>  | <hr/> <b>\$ 808,775.00</b> <hr/> |

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

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

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

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the District's reporting entity.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, i.e., the statement of net assets and the statement of activities, present information about the 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.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

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 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 – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to Federal economic stimulus programs.

The District reports the following major enterprise funds:

- Panhandle Area Education Consortium – Risk Management Property/Casualty Fund – to account for the financial resources of the property/casualty public risk pool for which the District is fiscal agent.
- Panhandle Area Education 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 Education Consortium – Programs Other Than Risk Management Fund – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the Federal economic stimulus programs received by the Consortium.
- Panhandle Area Education Consortium – Programs Other Than Risk Management Fund – to account for the financing of the Panhandle Area Educational 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.

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, entitlements,

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

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, other postemployment 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 funds 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. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned 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) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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

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

The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2011, are similar to money market

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.78965331 at June 30, 2011. 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 Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

Investments made locally consist of certificates of deposit, which are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **Inventories**

Inventories 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 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, \$7,397,061.85 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, 2011**

➤ **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**

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

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Public Education Capital Outlay funds as 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 Board is authorized by State law to levy property taxes for district school operations, capital improvements, and debt service.

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

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

The Board adopted the 2010 tax levy on September 13, 2010. 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 Federal 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 Board meeting prior to the due date for the annual financial report.
- 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, 2011**

### 3. INVESTMENTS

As of June 30, 2011, the District has the following investments and maturities:

| Investments                              | Maturities               | Fair Value              |
|------------------------------------------|--------------------------|-------------------------|
| State Board of Administration (SBA):     |                          |                         |
| Florida PRIME (1)                        | 31 Day Average           | \$ 33,224,835.25        |
| Fund B Surplus Funds Trust Fund (Fund B) | 7.16 Year Average        | 598,761.61              |
| Debt Service Accounts                    | 6 Months                 | 7,056.14                |
| Certificates of Deposit                  | March 2012 to March 2014 | 39,030.00               |
| Total Investments                        |                          | <u>\$ 33,869,683.00</u> |

Notes: (1) Investment reported as a cash equivalent for financial statement reporting purposes.

#### Interest Rate Risk

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
- Florida PRIME had a weighted average days to maturity (WAM) of 31 days at June 30, 2011. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2011, is estimated at 7.16 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

#### Credit Risk

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, known as Florida PRIME, or 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 in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that further limits its investment choices.
- The District's investments in SBA debt service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

- As of June 30, 2011, the District's investment in Florida PRIME is rated AAAm by Standard & Poor's. Fund B is unrated.
- The District's investments in certificates of deposit are in a qualified public depository.

#### 4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

|                                                 | Beginning<br>Balance    | Additions                | Deletions          | Ending<br>Balance       |
|-------------------------------------------------|-------------------------|--------------------------|--------------------|-------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                  |                         |                          |                    |                         |
| Capital Assets Not Being Depreciated:           |                         |                          |                    |                         |
| Land                                            | \$ 1,905,037.03         | \$ 8,765.12              | \$                 | \$ 1,913,802.15         |
| Land Improvements                               | 65,781.00               |                          |                    | 65,781.00               |
| Construction in Progress                        | 21,418.75               |                          | 3,980.00           | 17,438.75               |
| Total Capital Assets Not Being Depreciated      | 1,992,236.78            | 8,765.12                 | 3,980.00           | 1,997,021.90            |
| Capital Assets Being Depreciated:               |                         |                          |                    |                         |
| Improvements Other Than Buildings               | 1,958,380.86            | 50,284.63                |                    | 2,008,665.49            |
| Buildings and Fixed Equipment                   | 71,071,867.38           | 97,769.63                |                    | 71,169,637.01           |
| Furniture, Fixtures, and Equipment              | 7,883,998.47            | 668,294.81               | 268,305.16         | 8,283,988.12            |
| Motor Vehicles                                  | 5,848,779.74            | 637,234.25               | 652,529.00         | 5,833,484.99            |
| Audio Visual Materials and<br>Computer Software | 474,123.01              | 5,915.76                 | 13,279.42          | 466,759.35              |
| Total Capital Assets Being Depreciated          | 87,237,149.46           | 1,459,499.08             | 934,113.58         | 87,762,534.96           |
| Less Accumulated Depreciation for:              |                         |                          |                    |                         |
| Improvements Other Than Buildings               | 567,226.78              | 101,106.91               |                    | 668,333.69              |
| Buildings and Fixed Equipment                   | 14,909,788.64           | 1,451,219.08             |                    | 16,361,007.72           |
| Furniture, Fixtures, and Equipment              | 6,202,063.66            | 576,803.74               | 264,770.75         | 6,514,096.65            |
| Motor Vehicles                                  | 3,502,266.31            | 448,378.47               | 652,490.38         | 3,298,154.40            |
| Audio Visual Materials and<br>Computer Software | 431,952.01              | 15,763.25                | 13,279.42          | 434,435.84              |
| Total Accumulated Depreciation                  | 25,613,297.40           | 2,593,271.45             | 930,540.55         | 27,276,028.30           |
| Total Capital Assets Being Depreciated, Net     | 61,623,852.06           | (1,133,772.37)           | 3,573.03           | 60,486,506.66           |
| Governmental Activities Capital Assets, Net     | <u>\$ 63,616,088.84</u> | <u>\$ (1,125,007.25)</u> | <u>\$ 7,553.03</u> | <u>\$ 62,483,528.56</u> |

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

|                                                 | Beginning<br>Balance | Additions      | Deletions   | Ending<br>Balance |
|-------------------------------------------------|----------------------|----------------|-------------|-------------------|
| 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               | 321,947.43           |                |             | 321,947.43        |
| Buildings and Fixed Equipment                   | 1,123,919.70         |                |             | 1,123,919.70      |
| Furniture, Fixtures, and Equipment              | 2,786,235.81         | 98,617.14      | 96,936.17   | 2,787,916.78      |
| Motor Vehicles                                  | 1,000.00             |                |             | 1,000.00          |
| Audio Visual Materials and<br>Computer Software | 150,297.20           | 2,999.41       | 16,258.10   | 137,038.51        |
| Total Capital Assets Being Depreciated          | 4,383,400.14         | 101,616.55     | 113,194.27  | 4,371,822.42      |
| Less Accumulated Depreciation for:              |                      |                |             |                   |
| Improvements Other Than Buildings               | 108,343.90           | 13,629.38      |             | 121,973.28        |
| Buildings and Fixed Equipment                   | 95,918.16            | 22,757.04      |             | 118,675.20        |
| Furniture, Fixtures, and Equipment              | 2,452,712.42         | 133,088.05     | 91,879.64   | 2,493,920.83      |
| Motor Vehicles                                  | 1,000.00             |                |             | 1,000.00          |
| Audio Visual Materials and<br>Computer Software | 123,579.20           | 14,480.43      | 16,258.10   | 121,801.53        |
| Total Accumulated Depreciation                  | 2,781,553.68         | 183,954.90     | 108,137.74  | 2,857,370.84      |
| Total Capital Assets Being Depreciated, Net     | 1,601,846.46         | (82,338.35)    | 5,056.53    | 1,514,451.58      |
| Business-Type Activities Capital Assets, Net    | \$ 2,267,226.56      | \$ (82,338.35) | \$ 5,056.53 | \$ 2,179,831.68   |

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

Depreciation expense was charged to functions as follows:

| Function                                                                                                | Amount                        |
|---------------------------------------------------------------------------------------------------------|-------------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                                                                          |                               |
| Pupil Transportation Services                                                                           | \$ 420,908.28                 |
| Unallocated                                                                                             | <u>2,172,363.17</u>           |
| Total Depreciation Expense - Governmental Activities                                                    | <u><u>\$ 2,593,271.45</u></u> |
| <b>BUSINESS-TYPE ACTIVITIES</b>                                                                         |                               |
| Panhandle Area Educational Consortium - Risk Management                                                 |                               |
| Property/Casualty                                                                                       | \$ 6,788.29                   |
| Panhandle Area Educational Consortium - Risk Management Health                                          | 1,082.53                      |
| Panhandle Area Educational Consortium - Programs Other Than Risk Management - Federal Economic Stimulus | 3,864.57                      |
| Panhandle Area Educational Consortium - Programs Other Than Risk Management                             | <u>172,219.51</u>             |
| Total Depreciation Expense - Business-Type Activities                                                   | <u><u>\$ 183,954.90</u></u>   |

## 5. BONDS PAYABLE

Bonds payable at June 30, 2011, are as follows:

| Bond Type               | Amount<br>Outstanding    | Interest<br>Rate<br>(Percent) | Annual<br>Maturity<br>To |
|-------------------------|--------------------------|-------------------------------|--------------------------|
| State School Bonds:     |                          |                               |                          |
| Series 2005B, Refunding | <u><u>\$ 200,000</u></u> | 5.0                           | 2018                     |

These bonds are issued by the State Board of Education on behalf of the District to finance capital outlay projects of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for 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, 2011**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

| Fiscal Year<br>Ending<br>June 30 | Total                | Principal            | Interest            |
|----------------------------------|----------------------|----------------------|---------------------|
| State School Bonds:              |                      |                      |                     |
| 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                             | 36,500.00            | 30,000.00            | 6,500.00            |
| 2016                             | 35,000.00            | 30,000.00            | 5,000.00            |
| 2017-2018                        | 75,250.00            | 70,000.00            | 5,250.00            |
| Total                            | <u>\$ 243,750.00</u> | <u>\$ 200,000.00</u> | <u>\$ 43,750.00</u> |

## 6. CHANGES IN LONG-TERM LIABILITIES

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

| Description                           | Beginning<br>Balance   | Additions              | Deductions             | Ending<br>Balance      | Due In<br>One Year     |
|---------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>        |                        |                        |                        |                        |                        |
| Bonds Payable                         | \$ 225,000.00          | \$                     | \$ 25,000.00           | \$ 200,000.00          | \$ 20,000.00           |
| Compensated Absences Payable          | 3,923,760.09           | 79,888.03              | 302,502.89             | 3,701,145.23           | 435,030.44             |
| Other Postemployment Benefits Payable | 1,450,822.00           | 1,614,078.00           | 720,194.00             | 2,344,706.00           |                        |
| Total Governmental Activities         | <u>\$ 5,599,582.09</u> | <u>\$ 1,693,966.03</u> | <u>\$ 1,047,696.89</u> | <u>\$ 6,245,851.23</u> | <u>\$ 455,030.44</u>   |
| <b>BUSINESS-TYPE ACTIVITIES</b>       |                        |                        |                        |                        |                        |
| Estimated Insurance Claims Payable    | \$ 5,249,755.00        | \$ 2,837,615.00        | \$ 2,988,201.00        | \$ 5,099,169.00        | \$ 2,063,958.00        |
| Compensated Absences Payable          | 938,629.69             | 95,078.73              | 65,336.61              | 968,371.81             |                        |
| Other Postemployment Benefits Payable | 203,212.00             | 176,009.00             | 33,231.00              | 345,990.00             |                        |
| Total Business-Type Activities        | <u>\$ 6,391,596.69</u> | <u>\$ 3,108,702.73</u> | <u>\$ 3,086,768.61</u> | <u>\$ 6,413,530.81</u> | <u>\$ 2,063,958.00</u> |

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

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

**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                                    | \$ 169,491.29          | \$ 152,869.31          |
| Special Revenue:                           |                        |                        |
| Other                                      |                        | 382,814.55             |
| Federal Economic Stimulus                  |                        | 394.35                 |
| Major Enterprise:                          |                        |                        |
| Panhandle Area Educational Consortium -    |                        |                        |
| Risk Management Property/Casualty          | 4,800.00               | 7,209.29               |
| Panhandle Area Educational Consortium -    |                        |                        |
| Risk Management Health                     |                        | 2,151,979.22           |
| Panhandle Area Educational Consortium -    |                        |                        |
| Programs Other Than Risk Management        | 383,569.39             | 14,968.45              |
| Panhandle Area Educational Consortium -    |                        |                        |
| Federal Economic Stimulus                  | 476.01                 | 80.74                  |
| Internal Service:                          |                        |                        |
| Washington County - Risk Management Health | 2,151,979.22           |                        |
| Total                                      | <u>\$ 2,710,315.91</u> | <u>\$ 2,710,315.91</u> |

Interfund receivables and payables are recorded to reflect fees, reimbursements, and advances owed by one fund to another as of June 30, 2011. These amounts 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                                 | \$ 591,416.17        | \$ 148,069.31        |
| Major Enterprise:                       |                      |                      |
| Panhandle Area Educational Consortium - |                      |                      |
| Programs Other Than Risk Management     | 154,607.31           |                      |
| Nonmajor Governmental                   |                      | 597,954.17           |
| Total                                   | <u>\$ 746,023.48</u> | <u>\$ 746,023.48</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.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

**8. FUND BALANCE REPORTING**

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Types Definitions*, for the fiscal year ended June 30, 2011. The objective of the statement is to improve the usefulness and understanding of fund balance information for users of the financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

The District reports its governmental fund balances in the following categories:

➤ **Nonspendable**

The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash. Examples of items that are not in spendable form include inventory, prepaid amounts, long-term amounts of loans and notes receivable, and property acquired for resale. The District classifies the amounts reported as investments in SBA Fund B as nonspendable.

➤ **Restricted**

The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than General Fund as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.

➤ **Committed**

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. On May 19, 2011, the Board approved to commit a portion of the General Fund fund balance to be used specifically for the following purposes: compensated absences, contract school carryovers, cost center carryovers, project carryovers, and environmental cleanup. At June 30, 2011, the committed balances in the General Fund were as follows: \$3,268,376.24 for compensated absences, \$593,906.20 for contract school carryovers, \$666,293.33 for cost center carryovers, \$178,903.66 for project carryovers, \$200,000 for environmental cleanup, and \$968,516 for replacement of economic stimulus and class size reduction funds.

➤ **Assigned**

The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Superintendent and Director of Finance, and not included in other categories. At June 30, 2011, \$130,909.80 of the fund balance in Other Governmental Funds has been assigned for capital projects.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

➤ **Unassigned**

The portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

**9. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District's State revenue sources for the 2010-11 fiscal year:

|                                                        |                                |
|--------------------------------------------------------|--------------------------------|
| Governmental Funds:                                    |                                |
| Florida Education Finance Program                      | \$ 15,025,341.00               |
| Categorical Educational Program - Class Size Reduction | 3,530,725.00                   |
| Workforce Development Program                          | 2,949,970.00                   |
| School Recognition                                     | 176,746.00                     |
| Adults with Disabilities                               | 173,956.75                     |
| Miscellaneous                                          | <u>837,698.15</u>              |
| Subtotal - Governmental                                | <u>22,694,436.90</u>           |
| Enterprise Funds:                                      |                                |
| Regional Educational Consortium Services               | 592,317.45                     |
| Miscellaneous                                          | <u>47,321.00</u>               |
| Subtotal - Enterprise                                  | <u>639,638.45</u>              |
| Total                                                  | <u><u>\$ 23,334,075.35</u></u> |

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

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

**10. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2010 tax roll for the 2010-11 fiscal year:

|                                  | <u>Millages</u>     | <u>Taxes Levied</u>        |
|----------------------------------|---------------------|----------------------------|
| <u>GENERAL FUND</u>              |                     |                            |
| Nonvoted School Tax:             |                     |                            |
| Required Local Effort            | 5.286               | \$ 5,373,354               |
| Basic Discretionary Local Effort | 0.748               | 760,361                    |
| Critical Operating Needs         | 0.250               | 254,131                    |
| <u>CAPITAL PROJECTS FUNDS</u>    |                     |                            |
| Nonvoted Tax:                    |                     |                            |
| Local Capital Improvements       | <u>1.500</u>        | <u>1,524,788</u>           |
| Total                            | <u><u>7.784</u></u> | <u><u>\$ 7,912,634</u></u> |

**11. 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 Florida 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, 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.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

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.

**FRS Retirement Contribution Rates**

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2010-11 fiscal year, contribution rates were as follows:

| Class                                                                                       | <u>Percent of Gross Salary</u> |                         |
|---------------------------------------------------------------------------------------------|--------------------------------|-------------------------|
|                                                                                             | <u>Employee</u>                | <u>Employer<br/>(A)</u> |
| Florida Retirement System, Regular                                                          | 0.00                           | 10.77                   |
| Florida Retirement System, Elected County Officers                                          | 0.00                           | 18.64                   |
| Deferred Retirement Option Program - Applicable to<br>Members from All of the Above Classes | 0.00                           | 12.25                   |
| 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 0.03 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 to the Plan for the fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled \$2,566,012.34, \$2,455,720.30, and \$2,648,372.81 respectively, which were equal to the required contributions for each fiscal year. There were 43 PEORP participants during the 2010-11 fiscal year. Required contributions made to PEORP totaled \$163,376.37.

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.

Effective July 1, 2011, all members of FRS, except for DROP participants and reemployed retirees who are not eligible for renewed membership, are required to contribute 3 percent of their compensation to FRS.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

**12. OTHER POSTEMPLOYMENT BENEFITS PAYABLE**

**Plan Description.** The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's self-insured health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or another entity.

**Funding Policy.** Plan contribution requirements of the District and 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 2010-11 fiscal year, 185 retirees received other postemployment benefits. The District provided required contributions of \$753,425 toward the annual OPEB cost, net of retiree contributions totaling \$966,907, which represents 5.29 percent of covered payroll.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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| Description                                             | Amount                     |
|---------------------------------------------------------|----------------------------|
| Normal Cost (service cost for one year)                 | \$ 887,181                 |
| Amortization of Unfunded Actuarial<br>Accrued Liability | <u>899,868</u>             |
| Annual Required Contribution                            | 1,787,049                  |
| Interest on Net OPEB Obligation                         | 58,718                     |
| Adjustment to Annual Required Contribution              | <u>(55,680)</u>            |
| Annual OPEB Cost (Expense)                              | 1,790,087                  |
| Contribution Toward the OPEB Cost                       | <u>(753,425)</u>           |
| Increase in Net OPEB Obligation                         | 1,036,662                  |
| Net OPEB Obligation, Beginning of Year                  | <u>1,654,034</u>           |
| Net OPEB Obligation, End of Year                        | <u><u>\$ 2,690,696</u></u> |

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, 2011, and the preceding years, were as follows:

| Fiscal Year | Annual<br>OPEB Cost | Percentage of<br>Annual<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
|-------------|---------------------|-----------------------------------------------------|------------------------|
| 2008-09     | \$ 1,486,453        | 43.73%                                              | \$ 836,428             |
| 2009-10     | 1,546,143           | 47.12%                                              | 1,654,034              |
| 2010-11     | 1,790,087           | 42.09%                                              | 2,690,696              |

**Funded Status and Funding Progress.** As of October 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was \$26,269,544, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$26,269,544 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$18,282,593, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 143.69 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.

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DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

**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 OPEB actuarial valuation as of October 1, 2010, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2011, and to estimate the District's 2010-11 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. This rate includes a 3 percent general price inflation rate. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 9 percent beginning October 1, 2011, reduced to an ultimate rate of 5 percent after 7 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, 2011, was 27 years.

### 13. OTHER SIGNIFICANT COMMITMENTS

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

The following is a schedule of encumbrances at June 30, 2011:

| <b>Major Governmental Funds</b> |                               |                                                         |                                |
|---------------------------------|-------------------------------|---------------------------------------------------------|--------------------------------|
| General                         | Special<br>Revenue -<br>Other | Special<br>Revenue -<br>Federal<br>Economic<br>Stimulus | Total<br>Governmental<br>Funds |
| <u>\$ 57,674</u>                | <u>\$ 6,713</u>               | <u>\$ 9,423</u>                                         | <u>\$ 73,810</u>               |

| <b>Major Enterprise Funds</b>                      |                                                                                            |                                                        |                              |
|----------------------------------------------------|--------------------------------------------------------------------------------------------|--------------------------------------------------------|------------------------------|
| PAEC - Risk<br>Management<br>Property/<br>Casualty | PAEC -<br>Programs<br>Other Than<br>Risk<br>Management-<br>Federal<br>Economic<br>Stimulus | PAEC -<br>Programs<br>Other Than<br>Risk<br>Management | Total<br>Enterprise<br>Funds |
| <u>\$ 36,853</u>                                   | <u>\$ 74,642</u>                                                                           | <u>\$ 236,497</u>                                      | <u>\$ 347,992</u>            |

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

**14. CONSORTIUMS**

The District is a member of, and the fiscal agent for, the Panhandle Area Educational Consortium (Consortium). The Consortium was established pursuant to Section 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 Systems 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.

**15. 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 District is a member of the Panhandle Area Education Consortium - Risk Management Consortium (PAEC-RMC) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the PAEC-RMC. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The PAEC-RMC is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for 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 15.

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 insurance risks are not transferred. Each participating district is responsible for any deficit in its account and for payment of any pending claim should the district withdraw from the program. Activities related to the District's group health 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 \$222,209 was actuarially determined to cover estimated incurred, but not reported, District health insurance claims payable at June 30, 2011. The actuarial basis used for estimating

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

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, 2011. 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 reserved.

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 self-insurance program:

|         | Beginning-of-<br>Fiscal-Year<br>Liability | Current-Year<br>Claims and<br>Changes in<br>Estimates | Claims<br>Payments | Balance at<br>Fiscal<br>Year-End |
|---------|-------------------------------------------|-------------------------------------------------------|--------------------|----------------------------------|
| 2009-10 | \$ 225,596                                | \$ 3,720,028                                          | \$ (3,686,411)     | \$ 259,213                       |
| 2010-11 | 259,213                                   | 3,270,865                                             | (3,307,869)        | 222,209                          |

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

#### **16. PUBLIC ENTITY RISK POOL**

The following is a summary of financial information as reported in the internal service funds for the 2010-11 fiscal year:

➤ **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.

➤ **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

**WASHINGTON COUNTY  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

the loss fund. For the year ended June 30, 2011, the risk pool established a Loss Fund of \$4,000,000, assessed premiums to fund \$3,385,000 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, 2011, in the amount of \$4,280,708. The amount of \$356,716 of excess insurance recoverable on unpaid claims was deducted from the liability for unpaid claims at June 30, 2011.

- Settled Claims. 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 2009-10 and 2010-11 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>2009-10</u>                            | <u>2010-11</u>             |
| Estimated Unpaid Claims Liability at Beginning of Year                                   | <u>\$ 5,632,089</u>                       | <u>\$ 5,249,755</u>        |
| Incurred Claims and Claims Adjustment Expenses:                                          |                                           |                            |
| Provisions for Insured Events of the Current Year                                        | 2,517,852                                 | 3,560,000                  |
| Decrease in Provision for Events in Prior Years                                          | <u>(486,662)</u>                          | <u>(722,385)</u>           |
| Total Insurance Claims Expenses                                                          | <u>2,031,190</u>                          | <u>2,837,615</u>           |
| Payments:                                                                                |                                           |                            |
| Claims and Claims Adjustment Expenses Attributable to Insured Events of the Current Year | 641,794                                   | 1,296,931                  |
| Claims and Claims Adjustment Expenses Attributable to Insured Events of the Prior Years  | <u>1,771,730</u>                          | <u>1,691,270</u>           |
| Total Insurance Claims Payable                                                           | <u>2,413,524</u>                          | <u>2,988,201</u>           |
| Estimated Unpaid Claims Liability at End of Year                                         | <u><u>\$ 5,249,755</u></u>                | <u><u>\$ 5,099,169</u></u> |

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## OTHER REQUIRED SUPPLEMENTARY INFORMATION

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2011**

|                                                          | General Fund           |                        |                         |                                                           |
|----------------------------------------------------------|------------------------|------------------------|-------------------------|-----------------------------------------------------------|
|                                                          | Original<br>Budget     | Final<br>Budget        | Actual                  | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
| <b>Revenues</b>                                          |                        |                        |                         |                                                           |
| Intergovernmental:                                       |                        |                        |                         |                                                           |
| Federal Direct                                           | \$ 86,250.00           | \$ 88,971.83           | \$ 88,971.83            | \$                                                        |
| Federal Through State and Local                          | 1,145.23               | 167,612.45             | 167,612.45              |                                                           |
| State                                                    | 22,801,977.97          | 22,227,497.01          | 22,227,497.01           |                                                           |
| Local:                                                   |                        |                        |                         |                                                           |
| Property Taxes                                           | 6,161,432.00           | 6,304,754.95           | 6,304,754.95            |                                                           |
| Miscellaneous                                            | 1,090,228.03           | 1,894,916.50           | 1,894,916.50            |                                                           |
| <b>Total Revenues</b>                                    | <b>30,141,033.23</b>   | <b>30,683,752.74</b>   | <b>30,683,752.74</b>    |                                                           |
| <b>Expenditures</b>                                      |                        |                        |                         |                                                           |
| Current - Education:                                     |                        |                        |                         |                                                           |
| Instruction                                              | 23,736,863.22          | 22,830,340.02          | 17,225,547.05           | 5,604,792.97                                              |
| Pupil Personnel Services                                 | 1,183,846.95           | 1,344,983.32           | 1,234,184.86            | 110,798.46                                                |
| Instructional Media Services                             | 574,009.04             | 561,406.80             | 490,080.25              | 71,326.55                                                 |
| Instruction and Curriculum Development Services          | 278,111.00             | 283,717.96             | 283,267.04              | 450.92                                                    |
| Instructional Staff Training Services                    | 367,088.81             | 298,328.22             | 212,766.03              | 85,562.19                                                 |
| Instruction Related Technology                           | 633,588.55             | 576,744.16             | 454,020.77              | 122,723.39                                                |
| School Board                                             | 489,896.00             | 446,902.95             | 427,295.43              | 19,607.52                                                 |
| General Administration                                   | 378,641.24             | 399,886.37             | 302,635.56              | 97,250.81                                                 |
| School Administration                                    | 2,868,588.39           | 2,962,329.71           | 2,790,351.16            | 171,978.55                                                |
| Facilities Acquisition and Construction                  | 65,724.64              | 47,903.59              |                         | 47,903.59                                                 |
| Fiscal Services                                          | 529,167.00             | 612,421.96             | 511,791.33              | 100,630.63                                                |
| Food Services                                            | 6,843.18               | 34,533.74              | 34,533.74               |                                                           |
| Central Services                                         | 229,347.75             | 241,648.95             | 216,034.22              | 25,614.73                                                 |
| Pupil Transportation Services                            | 2,504,238.37           | 2,508,693.76           | 2,053,496.85            | 455,196.91                                                |
| Operation of Plant                                       | 2,019,377.08           | 2,362,385.33           | 2,316,492.95            | 45,892.38                                                 |
| Maintenance of Plant                                     | 1,274,907.14           | 1,417,320.43           | 916,958.06              | 500,362.37                                                |
| Administrative Technology Services                       | 144,705.00             | 191,044.82             | 175,718.12              | 15,326.70                                                 |
| Community Services                                       | 55,211.39              | 127,128.34             | 60,926.00               | 66,202.34                                                 |
| Fixed Capital Outlay:                                    |                        |                        |                         |                                                           |
| Facilities Acquisition and Construction                  |                        | 28,375.82              | 28,375.82               |                                                           |
| Other Capital Outlay                                     |                        | 395,004.77             | 395,004.77              |                                                           |
| <b>Total Expenditures</b>                                | <b>37,340,154.75</b>   | <b>37,671,101.02</b>   | <b>30,129,480.01</b>    | <b>7,541,621.01</b>                                       |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | <b>(7,199,121.52)</b>  | <b>(6,987,348.28)</b>  | <b>554,272.73</b>       | <b>7,541,621.01</b>                                       |
| <b>Other Financing Sources (Uses)</b>                    |                        |                        |                         |                                                           |
| Transfers In                                             | 705,797.08             | 591,416.17             | 591,416.17              |                                                           |
| Proceeds from Sale of Capital Assets                     |                        | 42,952.50              | 42,952.50               |                                                           |
| Insurance Loss Recoveries                                | 10,148.97              | 21,308.18              | 21,308.18               |                                                           |
| Transfers Out                                            | (100,000.00)           | (148,069.31)           | (148,069.31)            |                                                           |
| <b>Total Other Financing Sources (Uses)</b>              | <b>615,946.05</b>      | <b>507,607.54</b>      | <b>507,607.54</b>       |                                                           |
| <b>Net Change in Fund Balances</b>                       | <b>(6,583,175.47)</b>  | <b>(6,479,740.74)</b>  | <b>1,061,880.27</b>     | <b>7,541,621.01</b>                                       |
| Fund Balances, Beginning                                 | 11,206,349.92          | 11,206,349.92          | 11,206,349.92           |                                                           |
| <b>Fund Balances, Ending</b>                             | <b>\$ 4,623,174.45</b> | <b>\$ 4,726,609.18</b> | <b>\$ 12,268,230.19</b> | <b>\$ 7,541,621.01</b>                                    |

| Special Revenue - Other Fund |                   |                 |                                                           | Special Revenue - Federal Economic Stimulus Fund |                 |              |                                                           |
|------------------------------|-------------------|-----------------|-----------------------------------------------------------|--------------------------------------------------|-----------------|--------------|-----------------------------------------------------------|
| Original<br>Budget           | Final<br>Budget   | Actual          | Variance with<br>Final Budget -<br>Positive<br>(Negative) | Original<br>Budget                               | Final<br>Budget | Actual       | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
| \$ 491,374.00                | \$ 1,270,384.36   | \$ 1,270,384.36 | \$                                                        | \$                                               | \$              | \$           | \$                                                        |
| 2,408,801.85                 | 4,086,862.92      | 4,086,862.92    |                                                           | 1,917,952.03                                     | 2,607,762.81    | 2,607,762.81 |                                                           |
| 6,767.03                     | 274,784.65        | 274,784.65      |                                                           |                                                  |                 |              |                                                           |
| 2,906,942.88                 | 5,632,031.93      | 5,632,031.93    |                                                           | 1,917,952.03                                     | 2,607,762.81    | 2,607,762.81 |                                                           |
| 635,556.50                   | 3,029,528.68      | 2,025,088.98    | 1,004,439.70                                              | 1,633,604.36                                     | 2,334,401.26    | 2,307,824.13 | 26,577.13                                                 |
| 1,090,183.92                 | 1,517,961.31      | 1,281,295.16    | 236,666.15                                                | 76,900.77                                        | 70,079.52       | 70,079.52    |                                                           |
|                              |                   |                 |                                                           |                                                  | 19,042.59       | 19,042.59    |                                                           |
| 53,498.74                    | 156,550.09        | 60,088.82       | 96,461.27                                                 | 516.53                                           |                 |              |                                                           |
| 536,071.02                   | 950,635.75        | 354,014.25      | 596,621.50                                                | 179,979.32                                       | 189,049.59      | 172,474.86   | 16,574.73                                                 |
| 46,255.75                    | 194,140.67        | 119,121.07      | 75,019.60                                                 | 26,869.25                                        | 19,933.98       | 12,121.26    | 7,812.72                                                  |
|                              |                   |                 |                                                           |                                                  | 1,842.56        | 1,842.56     |                                                           |
| 15,002.95                    | 140,761.79        | 4,349.02        | 136,412.77                                                | 81.80                                            | 18,303.39       | 18,303.39    |                                                           |
| 39,000.00                    | 5,114.43          | 5,114.43        |                                                           |                                                  |                 |              |                                                           |
| 491,374.00                   | 1,871,875.29      | 1,501,726.98    | 370,148.31                                                |                                                  |                 |              |                                                           |
|                              | 281,233.22        | 281,233.22      |                                                           |                                                  | 6,074.50        | 6,074.50     |                                                           |
| 2,906,942.88                 | 8,147,801.23      | 5,632,031.93    | 2,515,769.30                                              | 1,917,952.03                                     | 2,658,727.39    | 2,607,762.81 | 50,964.58                                                 |
|                              | (2,515,769.30)    |                 | 2,515,769.30                                              |                                                  | (50,964.58)     |              | 50,964.58                                                 |
|                              |                   |                 |                                                           |                                                  |                 |              |                                                           |
|                              |                   |                 |                                                           |                                                  |                 |              |                                                           |
|                              | (2,515,769.30)    |                 | 2,515,769.30                                              |                                                  | (50,964.58)     |              | 50,964.58                                                 |
| \$ 0.00                      | \$ (2,515,769.30) | \$ 0.00         | \$ 2,515,769.30                                           | \$ 0.00                                          | \$ (50,964.58)  | \$ 0.00      | \$ 50,964.58                                              |

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

| Actuarial<br>Valuation<br>Date | Actuarial Value<br>of Assets | Actuarial<br>Accrued<br>Liability (AAL) - | Unfunded<br>AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a<br>Percentage of<br>Covered Payroll |
|--------------------------------|------------------------------|-------------------------------------------|------------------------|--------------|-----------------|-----------------------------------------------|
|                                | (A)                          | (B)                                       | (B-A)                  | (A/B)        | (C)             | [(B-A)/C]                                     |
| October 1, 2007                | \$ 0                         | \$ 23,055,432                             | \$ 23,055,432          | 0.0%         | \$ 19,813,662   | 116.36%                                       |
| October 1, 2010                | 0                            | 26,269,544                                | 26,269,544             | 0.0%         | 18,282,593      | 143.69%                                       |

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, 2011

|                                                                                      | 2002         | 2003         | 2004         | 2005         | 2006         | 2007          | 2008          | 2009         | 2010         | 2011         |
|--------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|--------------|--------------|--------------|
| Net Earned Required Contribution and Investment Revenues:                            |              |              |              |              |              |               |               |              |              |              |
| Earned                                                                               | \$ 6,137,917 | \$ 7,770,511 | \$ 8,594,629 | \$ 8,685,394 | \$ 8,924,648 | \$ 10,569,582 | \$ 10,477,909 | \$ 9,867,184 | \$ 8,499,535 | \$ 7,618,906 |
| Excess Insured                                                                       | 2,242,906    | 3,042,116    | 3,541,645    | 3,391,913    | 3,425,355    | 4,974,901     | 5,129,437     | 4,848,596    | 4,682,139    | 4,280,708    |
| Total Net Earned Required Contribution and Investment Revenues                       | 3,895,011    | 4,728,395    | 5,052,984    | 5,293,481    | 5,499,293    | 5,594,681     | 5,348,472     | 5,018,588    | 3,817,396    | 3,338,198    |
| Unallocated Expenses                                                                 | 965,972      | 745,505      | 885,424      | 936,129      | 939,537      | 1,037,647     | 1,090,175     | 1,551,016    | 1,192,285    | 1,094,811    |
| Estimated Incurred Claims and Expense, End of Policy Year:                           |              |              |              |              |              |               |               |              |              |              |
| Incurred                                                                             | 3,439,038    | 2,935,059    | 3,177,302    | 2,986,565    | 3,344,584    | 2,676,832     | 3,630,953     | 3,345,898    | 2,517,852    | 3,560,000    |
| Excess Insured                                                                       | 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                      | 2,812,813    | 2,809,541    | 2,687,219    | 2,685,358    | 3,177,225    | 2,564,592     | 3,430,953     | 3,319,898    | 2,517,852    | 3,560,000    |
| Net Paid (Cumulative) as of:                                                         |              |              |              |              |              |               |               |              |              |              |
| End of Policy Year                                                                   | 574,067      | 727,105      | 801,593      | 748,451      | 957,894      | 688,723       | 948,829       | 949,419      | 641,794      | 1,296,831    |
| One Year Later                                                                       | 988,050      | 1,301,917    | 1,652,454    | 1,476,847    | 1,840,666    | 1,678,444     | 2,171,636     | 1,865,986    | 1,405,091    |              |
| Two Years Later                                                                      | 1,352,476    | 1,595,379    | 1,917,839    | 1,789,931    | 2,623,062    | 2,180,460     | 2,498,780     | 2,351,378    |              |              |
| Three Years Later                                                                    | 1,662,377    | 1,932,288    | 2,216,871    | 2,301,343    | 2,810,264    | 2,319,831     | 2,533,577     |              |              |              |
| Four Years Later                                                                     | 1,988,947    | 2,052,405    | 2,320,070    | 2,314,401    | 2,927,564    | 2,422,083     |               |              |              |              |
| Five Years Later                                                                     | 2,139,347    | 2,031,906    | 2,384,102    | 2,333,832    | 2,977,784    |               |               |              |              |              |
| Six Years Later                                                                      | 1,936,291    | 2,104,148    | 2,399,667    | 2,341,139    |              |               |               |              |              |              |
| Seven Years Later                                                                    | 2,011,578    | 2,108,686    | 2,413,252    |              |              |               |               |              |              |              |
| Eight Years Later                                                                    | 2,026,302    | 2,136,384    |              |              |              |               |               |              |              |              |
| Nine Years Later                                                                     | 2,027,650    |              |              |              |              |               |               |              |              |              |
| Reestimated Excess Insured Claims and Expense                                        | 348,046      | 17,293       | 526,120      | 781,740      | 505,161      | 459,653       | 343,883       | 60,000       | 42,557       | 0            |
| Reestimated Net Incurred Claims and Expense:                                         |              |              |              |              |              |               |               |              |              |              |
| End of Policy Year                                                                   | 2,812,813    | 2,809,541    | 2,687,219    | 2,685,358    | 3,177,225    | 2,564,592     | 3,430,953     | 3,319,898    | 2,517,852    | 3,560,000    |
| One Year Later                                                                       | 2,042,231    | 2,207,979    | 2,812,113    | 2,507,011    | 3,265,226    | 3,063,890     | 3,510,583     | 3,056,882    | 2,470,000    |              |
| Two Years Later                                                                      | 2,012,686    | 2,123,938    | 2,938,031    | 2,569,324    | 3,546,669    | 2,769,356     | 3,066,976     | 2,915,145    |              |              |
| Three Years Later                                                                    | 2,242,277    | 2,478,455    | 2,755,415    | 2,676,184    | 3,213,761    | 2,737,164     | 2,835,710     |              |              |              |
| Four Years Later                                                                     | 2,398,179    | 2,259,054    | 2,504,088    | 2,488,072    | 3,238,651    | 2,621,352     |               |              |              |              |
| Five Years Later                                                                     | 2,327,092    | 2,126,181    | 2,558,025    | 2,518,287    | 3,124,564    |               |               |              |              |              |
| Six Years Later                                                                      | 2,017,359    | 2,246,241    | 2,546,591    | 2,453,720    |              |               |               |              |              |              |
| Seven Years Later                                                                    | 2,141,998    | 2,226,479    | 2,519,838    |              |              |               |               |              |              |              |
| Eight Years Later                                                                    | 2,130,576    | 2,198,454    |              |              |              |               |               |              |              |              |
| Nine Years Later                                                                     | 2,077,689    |              |              |              |              |               |               |              |              |              |
| Increase (Decrease) in Estimated Incurred Claims and Expense from End of Policy Year | (735,124)    | (611,087)    | (167,381)    | (231,638)    | (52,661)     | 56,760        | (595,243)     | (404,753)    | (47,852)     | 0            |

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2011**

**1. BUDGETARY BASIS OF ACCOUNTING**

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2011**

| Federal Grantor/Pass-Through Grantor/Program Title                 | Catalog of<br>Federal<br>Domestic<br>Assistance<br>Number | Pass -<br>Through<br>Grantor<br>Number | Amount of<br>Expenditures<br>(1) | Amount<br>Provided<br>to<br>Subrecipients |
|--------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------|----------------------------------|-------------------------------------------|
| <b>United States Department of Agriculture:</b>                    |                                                           |                                        |                                  |                                           |
| Indirect:                                                          |                                                           |                                        |                                  |                                           |
| Chipola Regional Workforce Development Board, Inc.:                |                                                           |                                        |                                  |                                           |
| Supplemental Nutrition Assistance Program                          | 10.551                                                    | None                                   | \$ 39,791.81                     | \$                                        |
| Child Nutrition Cluster:                                           |                                                           |                                        |                                  |                                           |
| Florida Department of Education:                                   |                                                           |                                        |                                  |                                           |
| School Breakfast Program                                           | 10.553                                                    | 321                                    | 296,110.36                       |                                           |
| National School Lunch Program                                      | 10.555                                                    | 300, 350                               | 880,510.18                       |                                           |
| Florida Department of Agriculture and Consumer Services:           |                                                           |                                        |                                  |                                           |
| National School Lunch Program                                      | 10.555 (2)(A)                                             | None                                   | 85,233.67                        |                                           |
| <b>Total Child Nutrition Cluster</b>                               |                                                           |                                        | <b>1,261,854.21</b>              |                                           |
| Florida Department of Education:                                   |                                                           |                                        |                                  |                                           |
| ARRA - Child Nutrition Discretionary Grants Limited Availability   | 10.579                                                    | 371                                    | 24,834.00                        |                                           |
| <b>Total United States Department of Agriculture</b>               |                                                           |                                        | <b>1,326,480.02</b>              |                                           |
| <b>United States Department of Justice:</b>                        |                                                           |                                        |                                  |                                           |
| Indirect:                                                          |                                                           |                                        |                                  |                                           |
| Florida Department of Juvenile Justice:                            |                                                           |                                        |                                  |                                           |
| Juvenile Justice and Delinquency Prevention - Allocation to States | 16.540                                                    | None                                   | 26,227.24                        |                                           |
| Putnam County District School Board:                               |                                                           |                                        |                                  |                                           |
| Juvenile Justice and Delinquency Prevention - Allocation to States | 16.540                                                    | None                                   | 30,230.00                        |                                           |
| <b>Total United States Department of Justice</b>                   |                                                           |                                        | <b>56,457.24</b>                 |                                           |
| <b>United States Department of Labor:</b>                          |                                                           |                                        |                                  |                                           |
| Indirect:                                                          |                                                           |                                        |                                  |                                           |
| Chipola Regional Workforce Development Board, Inc.:                |                                                           |                                        |                                  |                                           |
| WIA Cluster:                                                       |                                                           |                                        |                                  |                                           |
| WIA Adult Program                                                  | 17.258                                                    | None                                   | 240,227.84                       |                                           |
| ARRA - WIA Adult Program                                           | 17.258                                                    | None                                   | 21,548.51                        |                                           |
| WIA Youth Activities                                               | 17.259                                                    | None                                   | 105,884.79                       |                                           |
| WIA Dislocated Workers                                             | 17.260                                                    | None                                   | 132,218.33                       |                                           |
| ARRA - WIA Dislocated Workers                                      | 17.260                                                    | None                                   | 34,877.13                        |                                           |
| <b>Total WIA Cluster</b>                                           |                                                           |                                        | <b>534,756.60</b>                |                                           |
| Chipola Regional Workforce Development Board, Inc.:                |                                                           |                                        |                                  |                                           |
| Employment Service Cluster:                                        |                                                           |                                        |                                  |                                           |
| Employment Service/Wagner-Peyser Funded Activities                 | 17.207                                                    | None                                   | 19,911.06                        |                                           |
| ARRA - Employment Service/Wagner-Peyser Funded Activities          | 17.207                                                    | None                                   | 12,129.96                        |                                           |
| Disabled Veterans' Outreach Program (DVOP)                         | 17.801                                                    | None                                   | 6,954.68                         |                                           |
| Local Veterans' Employment Representative Program                  | 17.804                                                    | None                                   | 3,805.87                         |                                           |
| <b>Total Employment Service Cluster</b>                            |                                                           |                                        | <b>42,801.57</b>                 |                                           |
| Unemployment Insurance                                             | 17.225                                                    | None                                   | 35,838.19                        |                                           |
| The Agricultural and Labor Program, Inc.:                          |                                                           |                                        |                                  |                                           |
| National Farmworker Jobs Program                                   | 17.264                                                    | None                                   | 75,527.79                        |                                           |
| <b>Total United States Department of Labor</b>                     |                                                           |                                        | <b>688,924.15</b>                |                                           |
| <b>United States General Services Administration:</b>              |                                                           |                                        |                                  |                                           |
| Indirect:                                                          |                                                           |                                        |                                  |                                           |
| Florida Department of Management Services:                         |                                                           |                                        |                                  |                                           |
| Donation of Federal Surplus Personal Property                      | 39.003 (2)(B)                                             | None                                   | 53,101.05                        |                                           |
| <b>National Science Foundation:</b>                                |                                                           |                                        |                                  |                                           |
| Indirect:                                                          |                                                           |                                        |                                  |                                           |
| Florida State University:                                          |                                                           |                                        |                                  |                                           |
| Education and Human Resources                                      | 47.076                                                    | None                                   | 10,454.17                        |                                           |
| <b>United States Department of Education:</b>                      |                                                           |                                        |                                  |                                           |
| Direct:                                                            |                                                           |                                        |                                  |                                           |
| Federal Pell Grant Program                                         | 84.063                                                    | N/A                                    | 1,270,384.36                     |                                           |
| Fund for the Improvement of Education                              | 84.215                                                    | N/A                                    | 332,592.31                       | 9,517.46                                  |
| <b>Total Direct</b>                                                |                                                           |                                        | <b>1,602,976.67</b>              | <b>9,517.46</b>                           |
| Indirect:                                                          |                                                           |                                        |                                  |                                           |
| Special Education Cluster:                                         |                                                           |                                        |                                  |                                           |
| Florida Department of Education:                                   |                                                           |                                        |                                  |                                           |
| Special Education - Grants to States                               | 84.027                                                    | 262, 263                               | 2,072,783.60                     | 31,130.50                                 |
| Special Education - Preschool Grants                               | 84.173                                                    | 266, 267                               | 337,008.61                       | 16.68                                     |
| ARRA - Special Education - Grants to States, Recovery Act          | 84.391                                                    | 263                                    | 281,031.40                       |                                           |
| ARRA - Special Education - Preschool Grants, Recovery Act          | 84.392                                                    | 267                                    | 18,442.01                        |                                           |
| Putnam County District School Board:                               |                                                           |                                        |                                  |                                           |
| Special Education - Grants to States                               | 84.027                                                    | None                                   | 5,189.79                         |                                           |
| University of South Florida:                                       |                                                           |                                        |                                  |                                           |
| Special Education - Grants to States                               | 84.027                                                    | None                                   | 630.04                           |                                           |
| University of Florida:                                             |                                                           |                                        |                                  |                                           |
| Special Education - Grants to States                               | 84.027                                                    | None                                   | 25.03                            |                                           |
| <b>Total Special Education Cluster</b>                             |                                                           |                                        | <b>2,715,110.48</b>              | <b>31,147.18</b>                          |
| Title I, Part A Cluster:                                           |                                                           |                                        |                                  |                                           |
| Florida Department of Education:                                   |                                                           |                                        |                                  |                                           |
| Title I Grants to Local Educational Agencies                       | 84.010                                                    | 118, 212, 222, 226, 228                | 1,693,320.03                     |                                           |
| ARRA - Title I Grants to Local Educational Agencies, Recovery Act  | 84.389                                                    | 212, 226                               | 226,911.11                       |                                           |
| <b>Total Title I, Part A Cluster</b>                               |                                                           |                                        | <b>1,920,231.14</b>              |                                           |

WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
For the Fiscal Year Ended June 30, 2011

| Federal Grantor/Pass-Through Grantor/Program Title                                                 | Catalog of Federal Domestic Assistance Number | Pass - Through Grantor Number | Amount of Expenditures (1) | Amount Provided to Subrecipients |
|----------------------------------------------------------------------------------------------------|-----------------------------------------------|-------------------------------|----------------------------|----------------------------------|
| <b>United States Department of Education (Continued):</b>                                          |                                               |                               |                            |                                  |
| Indirect (Continued):                                                                              |                                               |                               |                            |                                  |
| Education for Homeless Children and Youth Cluster:                                                 |                                               |                               |                            |                                  |
| Florida Department of Education:                                                                   |                                               |                               |                            |                                  |
| Education for Homeless Children and Youth                                                          | 84.196                                        | 127                           | \$ 103,855.59              | \$                               |
| ARRA - Education for Homeless Children and Youth, Recovery Act                                     | 84.387                                        | 127                           | 10,058.30                  |                                  |
| <b>Total Education for Homeless Children and Youth Cluster</b>                                     |                                               |                               | <b>113,913.89</b>          |                                  |
| Educational Technology State Grants Cluster:                                                       |                                               |                               |                            |                                  |
| Florida Department of Education:                                                                   |                                               |                               |                            |                                  |
| Education Technology State Grants                                                                  | 84.318                                        | 121                           | 4,351.50                   |                                  |
| ARRA - Education Technology State Grants, Recovery Act                                             | 84.386                                        | 121, 122                      | 585,684.30                 | 199,494.57                       |
| <b>Total Educational Technology State Grants Cluster</b>                                           |                                               |                               | <b>590,035.80</b>          | <b>199,494.57</b>                |
| State Fiscal Stabilization Fund Cluster:                                                           |                                               |                               |                            |                                  |
| Florida Department of Education:                                                                   |                                               |                               |                            |                                  |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act               | 84.394                                        | 591                           | 1,286,945.00               |                                  |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act                  | 84.397                                        | 592                           | 575,565.46                 |                                  |
| <b>Total State Fiscal Stabilization Fund Cluster</b>                                               |                                               |                               | <b>1,862,510.46</b>        |                                  |
| Florida Department of Education:                                                                   |                                               |                               |                            |                                  |
| Adult Education - Basic Grants to States                                                           | 84.002                                        | 191                           | 187,070.17                 |                                  |
| Migrant Education - State Grant Program                                                            | 84.011                                        | 217                           | 1,563,240.15               | 109,288.50                       |
| Title I State Agency Program for Neglected and Delinquent Children                                 | 84.013                                        | 216                           | 337,707.24                 |                                  |
| Career and Technical Education - Basic Grants to States                                            | 84.048                                        | 161                           | 297,661.29                 |                                  |
| Safe and Drug-Free Schools and Communities - State Grants                                          | 84.186                                        | 103                           | 6,238.21                   |                                  |
| Reading First State Grants                                                                         | 84.357                                        | 211                           | 2,150,903.76               | 1,179,377.85                     |
| Rural Education                                                                                    | 84.358                                        | 110                           | 81,725.63                  |                                  |
| Voluntary Public School Choice                                                                     | 84.361                                        | 299                           | 884,710.04                 | 764,705.95                       |
| Improving Teacher Quality State Grants                                                             | 84.367                                        | 224, 225                      | 395,792.20                 |                                  |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act     | 84.395                                        | RL111, 411, 711               | 121,477.68                 |                                  |
| Education Jobs Fund                                                                                | 84.410                                        | 541                           | 710,266.00                 |                                  |
| Norris D. Langston Youth Scholarship Foundation:                                                   |                                               |                               |                            |                                  |
| Twenty-First Century Community Learning Centers                                                    | 84.287                                        | None                          | 56,432.54                  |                                  |
| Florida Gulf Coast University:                                                                     |                                               |                               |                            |                                  |
| Transition to Teaching                                                                             | 84.350                                        | None                          | 17,195.69                  |                                  |
| University of South Florida:                                                                       |                                               |                               |                            |                                  |
| Mathematics and Science Partnerships                                                               | 84.366                                        | None                          | 60,946.73                  |                                  |
| Florida State University:                                                                          |                                               |                               |                            |                                  |
| Mathematics and Science Partnerships                                                               | 84.366                                        | None                          | 3,100.33                   |                                  |
| Improving Teacher Quality State Grants                                                             | 84.367                                        | None                          | 32,751.98                  |                                  |
| <b>Total Indirect</b>                                                                              |                                               |                               | <b>14,109,021.41</b>       | <b>2,284,014.05</b>              |
| <b>Total United States Department of Education</b>                                                 |                                               |                               | <b>15,711,998.08</b>       | <b>2,293,531.51</b>              |
| <b>United States Department of Health and Human Services:</b>                                      |                                               |                               |                            |                                  |
| Indirect:                                                                                          |                                               |                               |                            |                                  |
| Florida Department of Health:                                                                      |                                               |                               |                            |                                  |
| Injury Prevention and Control Research and State and Community Based Programs                      | 93.136                                        | None                          | 109,637.20                 | 5,206.36                         |
| TANF Cluster:                                                                                      |                                               |                               |                            |                                  |
| Chipola Regional Workforce Development Board, Inc.:                                                |                                               |                               |                            |                                  |
| Temporary Assistance for Need Families (TANF)                                                      | 93.558                                        | None                          | 231,960.56                 |                                  |
| ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program | 93.714                                        | None                          | 16,093.97                  |                                  |
| <b>Total TANF Cluster</b>                                                                          |                                               |                               | <b>248,054.53</b>          |                                  |
| Florida Healthy Kids Corporation:                                                                  |                                               |                               |                            |                                  |
| Children's Health Insurance Program                                                                | 93.767                                        | None                          | 4,900.55                   |                                  |
| <b>Total United States Department of Health and Human Services</b>                                 |                                               |                               | <b>362,592.28</b>          | <b>5,206.36</b>                  |
| <b>United States Department of Homeland Security:</b>                                              |                                               |                               |                            |                                  |
| Indirect:                                                                                          |                                               |                               |                            |                                  |
| Florida Department of Education:                                                                   |                                               |                               |                            |                                  |
| Homeland Security Grant Program                                                                    | 97.067                                        | 532                           | 39,000.00                  |                                  |
| <b>United States Department of Defense:</b>                                                        |                                               |                               |                            |                                  |
| Direct:                                                                                            |                                               |                               |                            |                                  |
| Army Junior Reserve Officers Training Corps                                                        | None                                          | N/A                           | 88,971.83                  |                                  |
| <b>Total Expenditures of Federal Awards</b>                                                        |                                               |                               | <b>\$ 18,337,978.82</b>    | <b>\$ 2,298,737.87</b>           |

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 fiscal year. Donated foods 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.



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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, 2011, 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### Compliance and Other Matters

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

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

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

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

Respectfully submitted,



David W. Martin, CPA  
February 17, 2012



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House of Representatives, and the  
Legislative Auditing Committee

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR 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 (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2011. 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 its 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. 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 compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2011. 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 to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 the response.

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 17, 2012

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

|                                                                                               |               |
|-----------------------------------------------------------------------------------------------|---------------|
| Type of auditor's report issued:                                                              | Unqualified   |
| Internal control over financial reporting:                                                    |               |
| Material weakness(es) identified?                                                             | No            |
| Significant deficiency(ies) identified that are not considered to be a 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 a 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 Circular A-133? | Yes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Identification of major programs:                                                                                      | Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 - ARRA); Migrant Education – State Grant Program (CFDA No. 84.011); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 - ARRA, and 84.392 - ARRA); Educational Technology State Grants Cluster (CFDA Nos. 84.318 and 84.386 - ARRA); Voluntary Public School Choice (CFDA No. 84.361); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 - ARRA and 84.397 - ARRA); Race-to-the-Top Incentive Grants (CFDA No. 84.395 - ARRA); Education Jobs Fund (CFDA No. 84.410); and TANF Cluster (CFDA Nos. 93.558 and 93.714 - ARRA) |
| Dollar threshold used to distinguish between Type A and Type B programs:                                               | \$550,139                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 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, 2011**

**ADDITIONAL MATTERS**

**Finding No. 1: Performance Assessments**

Section 1012.34(3), Florida Statutes (2010),<sup>1</sup> required the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of employees, the procedures were to primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3), Florida Statutes (2010), at the school where the employee worked. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes (2010), included evaluation measures such as the employee's ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction and use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies. Section 1012.34(3)(d), Florida Statutes (2010), requires that, if an employee is not performing satisfactorily, the performance evaluator has to notify the employee in writing and describe the unsatisfactory performance.

While the assessments of instructional personnel and school administrators generally met the requirements of Section 1012.34(3)(a), Florida Statutes (2010), District records did not sufficiently evidence a correlation between student performance and the employee's performance assessment, nor that student performance was the primary factor for the overall evaluation rating. For example, the evaluation form did not provide a numeric or percentage indicator to show that student achievement was the primary contributing factor used to evaluate employee performance.

District personnel indicated that they delayed revisions to performance assessments until implementation of the Federal Race-to-the-Top grant requirements, which are subject to approval by the Florida Department of Education for the 2011-12 fiscal year. However, without measuring employee performance by the required criteria, performance assessments of instructional personnel and school administrators may not effectively communicate the employee's accomplishments or shortcomings. A similar finding was noted in our audit report No. 2011-144.

**Recommendation: The District should document that performance assessments of instructional personnel and school administrators consider student performance as required by law.**

<sup>1</sup>Sections 1012.34 and 1008.22, Florida Statutes, were amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.34(3)(a), Florida Statutes (2011), at least 50 percent of performance evaluations of instructional personnel and school administrators must be based upon data and indicators of student learning growth assessed annually by statewide or district assessments spanning three years of data. However, if three years of data is not available, the District must use the available data and the percentage of the evaluation based upon student learning growth may be reduced to not less than 40 percent for administrators and in-classroom instructional personnel, and to not less than 20 percent for instructional personnel who are not classroom teachers.

## Finding No. 2: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes (2010),<sup>2</sup> provided that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes (2010), required the Board to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and was required to provide differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not adopted formal policies and procedures to ensure that a portion of each instructional employee's compensation was based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010). Such policies and procedures could establish and communicate the performance measures affecting instructional employee compensation. In addition, the Board had not adopted formal policies and procedures establishing the documented process to identify the instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes (2010). Such policies and procedures could specify the prescribed factors to be used as the basis for determining differentiated pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2010-11 fiscal year salary schedule for instructional personnel and school-based administrators provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes (2010), could be improved, as follows:

- **Instructional Personnel.** Contrary to Section 1012.22(1)(c)2., Florida Statutes (2010), the instructional personnel salary schedule and union contract did not evidence that a portion of the compensation of each instructional employee was based on performance.

The instructional personnel salary schedule and union contracts provided salary supplements for additional responsibilities beyond the standard work day, such as supplements for athletic coaches and band and choral directors. However, neither the salary schedule nor the union contract evidenced consideration of differentiated pay based on school demographics, critical teacher shortage areas, and level of job performance difficulties for instructional personnel, contrary to Section 1012.22(1)(c)4., Florida Statutes (2010).

- **School-based Administrators.** The salary schedule for school-based administrators included consideration for additional responsibilities, school demographics, and level of job performance difficulties as the schedule provided differing administrative pay grades for elementary, middle, and high schools based on the type school. However, the salary schedule did not evidence consideration of differentiated pay based on critical shortage areas for school-based administrators, contrary to Section 1012.22(1)(c)4., Florida Statutes (2010).

District personnel indicated that salary schedule revisions to comply with statutory performance and differentiated pay requirements were delayed to ensure consistency with Federal Race-to-the-Top grant requirements. However, without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's

<sup>2</sup> Section 1012.22, Florida Statutes, was amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.22(1)(c)4.b., Florida Statutes, the District must base a portion of each employee's compensation upon performance demonstrated under Section 1012.34, Florida Statutes, and provide differentiated pay for instructional personnel and school administrators based upon district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

compensation is based on performance, and sufficiently identifying the basis for differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlates to the compensation and the various differentiated pay factors are consistently considered and applied. A similar finding was noted in our report No. 2011-144.

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**Recommendation:** The Board should adopt formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c), Florida Statutes.

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**Finding No. 3: Adult General Education Classes**

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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 2010-152, Laws of Florida, Specific Appropriation 109, states that from the funds provided in Specific Appropriation 9 and 109, 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 school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a course and the withdrawal date or end-of-course date, whichever is sooner. Additionally, FDOE procedures for reporting instructional hours state that if a student withdraws and reenrolls in the same class, the District is to report the student hours from the first date of enrollment to the final withdrawal date or the end of class, whichever is sooner.

For the 2010-11 fiscal year, the District reported to FDOE 69,218 adult general education contact hours for 493 students. To determine the propriety of hours reported, we initially tested 3,866 hours reported for 30 students enrolled in 43 adult general education classes held in fall 2010 and spring 2011 and noted reporting errors for 4 students in 4 classes, resulting in 141 net hours overreported. We expanded our tests to include an additional 560 hours for 15 students enrolled in 18 classes and noted exceptions for all students tested in 16 classes, resulting in 2,933 net hours underreported. The 2,792 net underreported hours for the 45 students and 61 classes occurred because District personnel inadvertently recorded student entry and exit dates incorrectly, did not record withdrawal and exit dates within the reporting period, and made other input errors.

In addition, our comparison of District and FDOE records disclosed 12,643 hours for 107 students recorded in the District records that were excluded from FDOE records. We identified 466 hours of the difference for 9 students who enrolled in classes, subsequently withdrew, and later reenrolled in the same class during the reporting period. Instead of reporting these students as reenrolled in the original class, District personnel mistakenly reported a portion of the hours for the students as two separate classes with the same class number. Through an edit process, FDOE deleted these hours for the second class, resulting in the hours underreported for these 9 students. While District records did not evidence the basis for the remaining difference between the District and FDOE records, totaling 12,177 hours for 98 students, District records evidenced correspondence from FDOE indicating that the District made data transmission errors for some classes. As of December 2011, District personnel had not corrected the reporting problem.

Since the District's future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly. Similar findings were noted in previous audit reports, most recently in our report No. 2011-144.

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**Recommendation:** The District should enhance its controls over the reporting of instructional contact hours for adult general education classes to FDOE. Further, the District should determine the extent of adult general education hours misreported and contact FDOE for proper resolution.

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**Finding No. 4: Purchasing Card Program**

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The District, as fiscal agent for the Panhandle Area Educational Consortium (PAEC), provides purchasing cards to certain PAEC employees for travel-related expenses such as hotel and rental car fuel costs. The PAEC Executive Director determines which employees are issued purchasing cards based on job duties requiring travel, and the employees sign purchasing card agreements outlining authorized purposes for card use. The District purchasing card administrator orders the cards, distributes cards to employees, and the cards have a \$2,000 monthly limit, a single transaction limit of \$600, and a daily limit of \$600. District personnel indicated that upon employment termination, employees are to return their cards to the PAEC fiscal specialist, who is to destroy the cards and notify the District purchasing card administrator by phone or e-mail to cancel the cards.

During the 2010-11 fiscal year, 57 purchasing cards were issued, purchasing card charges totaled \$53,344, and 9 of the 57 employees terminated employment. Although District procedures were generally adequate to control purchasing card charges, we noted that 5 of the 9 employees who terminated employment did not have their purchasing cards cancelled as of the date of our inquiry. District personnel indicated that the cards had not been cancelled because the PAEC fiscal specialist did not notify the District purchasing card administrator to cancel the cards. Although District personnel cancelled the purchasing cards of the 5 former employees subsequent to our inquiry, the cards had remained active from 112 to 142 days after the termination dates of the former employees. While our tests of purchasing card transactions did not disclose any errors or fraud, without timely cancellation of purchasing card privileges, the risk is increased that such privileges could be misused by former employees or others.

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**Recommendation:** The District should enhance procedures to ensure that purchasing card privileges are timely cancelled upon employment termination.

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**Finding No. 5: Information Technology – Access Privileges**

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Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside of their area of responsibility.

We reviewed selected access privileges to the payroll and finance applications to determine the appropriateness of these privileges, and noted the following three employees who had inappropriate or unnecessary access privileges for their job functions:

- During the 2010-11 fiscal year, one employee in the finance department transferred from the payroll department; however, the update access to payroll for the employee was not removed upon the transfer, resulting in unnecessary access for the employee's job functions. In addition, this employee had the ability to add or change vendor information and pay invoices, permitting the employee to perform incompatible duties.
- Two other employees in the finance department had the ability to add or change vendors, pay invoices, and add or change journal entry information, permitting the employees to perform incompatible duties.

District management indicated that compensating controls were in place such as bank reconciliations performed by independent personnel, verification of supporting voucher documentation, and budgetary monitoring at the departmental level to mitigate the impact of the control deficiencies mentioned above. However, inappropriate or unnecessary access privileges increases the risk of unauthorized disclosure, modification, or destruction of District data and IT resources. Subsequent to our inquiry, in November 2011 the District removed the excessive access privileges noted above.

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**Recommendation:** The District should continue its efforts to review access privileges and timely remove or adjust any inappropriate or unnecessary access privileges detected.

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**Finding No. 6: Information Technology – Security Incident Response Plan**

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Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, provision for designated staff to be trained in incident response, and notification of affected parties.

District personnel indicated that since the District had not experienced any network security violations, the District had not developed a written security incident response plan. However, should an event occur that involves the potential or actual compromise, loss, or destruction of District data IT resources, the lack of a written security incident response plan could result in the District's failure to take appropriate and timely actions to prevent further loss or damage to the District's data and IT resources.

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**Recommendation:** The District should develop a written security incident response plan to provide reasonable assurance that the District will respond in an appropriate and timely manner to events that may jeopardize the confidentiality, integrity, or availability of data and IT resources.

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**Finding No. 7: Information Technology – Security Controls – Data Loss Prevention and Management of Access Privileges.**

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Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to data loss prevention and management of access privileges needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to data loss prevention and management of access privileges, the 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. Similar findings related to management of access privileges were noted in previous audit reports, most recently in our report No. 2011-144.

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

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## FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

### Federal Awards Finding No. 1:

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

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

**Program:** Voluntary Public School Choice (CFDA 84.361)

**Finding Type:** Noncompliance and Significant Deficiency

**Questioned Costs:** None

**Allowable Costs/Cost Principles.** United States Office of Management and Budget (OMB) Circular A-87, Attachment A, Section C.1., provides, in part, that costs must be adequately documented to be allowable under Federal awards. In addition, Title 34, Section 80.21, Code of Federal Regulations (CFR), authorizes subrecipients to receive advance payments provided they have procedures to minimize the time elapsing between the transfer of the funds and their disbursements.

To provide Statewide expansion and establishment of school choice parent resource centers, FDOE awarded three voluntary public school choice grants to the District, as fiscal agent for PAEC, and the District reported expenditures from the grants totaling \$884,710 for the 2010-11 fiscal year. The majority of these expenditures were for contracted services with a nonprofit corporation to provide oversight services to school choice parent resource center (PRC) operations, such as facilitating training and development of PRC staff and volunteers, developing and implementing improvement of strategic planning processes and procedures for ongoing expansion and establishment of PRCs in communities and neighborhoods, and other services. The grant awards indicated that FDOE would be substantially involved to accomplish the goals of these projects. Although District records did not identify the extent of this involvement, FDOE personnel indicated that they periodically met with PAEC personnel to discuss the status of the projects and regularly corresponded with the nonprofit corporation to ensure that the grant objectives were met, reviewed expenditure data to determine the allowability of program costs, and received performance reports from the nonprofit corporation.

For the voluntary public school choice grant expenditures, we reviewed District records supporting a sample of 21 transactions, totaling approximately \$398,600, for materials and supplies and purchased services. District records disclosed that 17 transactions totaling \$42,733 documented receipt of the goods and services prior to payment, and the 4 remaining transactions totaling \$355,867 represented payments pursuant to two contracts with the nonprofit corporation. The first contract with the nonprofit corporation provided for reimbursement of expenditures for items such as salaries, travel, rent, and supplies, and the second contract provided for four quarterly cash advance payments. The second contract provided for an initial cash advance of 25 percent of the contract, and receipt of the next 25 percent advance was contingent on documentation to evidence that the nonprofit corporation had expenditures totaling at least 90 percent of the previous advance. While PAEC personnel documented preapproval of the payments, District records did not initially evidence detailed invoices to support the charges nor that District personnel with direct knowledge of the services confirmed and documented the accuracy of the charges. Based on documentation provided, expenditures for the third quarter advance were \$13,599.68 less than the contract required 90 percent of the prior quarter's expenditures. As part of the reporting process, the nonprofit corporation repaid the excess advanced funds in October 2011. Subsequent to our request in November 2011, PAEC personnel obtained additional documentation supporting grant expenditures, including payroll records, personnel activity reports, and detailed invoices supporting the charges. While our tests indicated that the expenditures were eventually supported, without effective procedures to confirm and document that payments are consistent with contract provisions and that

goods and services are received prior to payment, there is an increased risk that overpayments may occur without timely detection.

**Subrecipient Monitoring.** Federal awards passed through to subrecipients are subject to certain Federal audit and subrecipient monitoring requirements, and amounts paid to subrecipients are required to be reported as pass-through amounts on the Schedule of Expenditures of Federal Awards. Also, OMB Circular A-133 provides criteria for determining whether recipients of Federal awards are considered subrecipients, including whether the Federal award recipient determines eligibility, has performance measured against whether the objectives of the Federal program are met, has responsibility for programmatic decision making, is required to adhere to applicable program requirements, and uses the Federal funds to carry out the program of the organization as compared to providing services.

Although the nonprofit corporation, discussed above, received in excess of \$500,000 in grant funds, PAEC and District personnel had not initially made a determination of whether the nonprofit corporation would be considered a subrecipient of the Federal funds. PAEC personnel indicated that FDOE initially informed PAEC and the nonprofit corporation, in December 2011, that contracts with the nonprofit corporation constituted a vendor relationship, and the nonprofit corporation would not be subject to the Federal reporting requirements of Circular A-133. However, District records, such as checklists or other correspondence, were not available to evidence the basis upon which the vendor determination was made. In January 2012, District personnel provided correspondence from FDOE requesting the District to complete a checklist to determine whether contracts with the nonprofit corporation constituted a vendor or subrecipient relationship. Subsequently, District personnel provided us with a copy of their determination that the nonprofit corporation was a subrecipient. When subrecipient and vendor determinations are not made in a timely manner, there is an increased risk that adequate subrecipient monitoring procedures are not designed properly to ensure that program objectives are met and that funds are expended for their required purpose.

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**Recommendation:** The District, as fiscal agent for PAEC, should enhance its preaudit procedures to ensure that it receives services before payments are made, and that payments reconcile to contract terms. Also, the District should establish procedures to document whether contracts paid by Federal awards constitute vendor or subrecipient relationships. For those determined to be subrecipients and that receive \$500,000 or more in Federal funds, the District should obtain Federal audits of those subrecipients consistent with the requirements of OMB Circular A-133.

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District Contact Persons: Sharon Mitchell, Administrator of Business, Technical and Supplemental Services and Lele Brock, Program Coordinator of Business Services

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#### PRIOR AUDIT FOLLOW-UP

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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. 2011-144.

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#### MANAGEMENT’S RESPONSE

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Management’s response is included as Exhibit A.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2011**

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

| Audit Report No.<br>and Federal<br>Awards Finding No. | Program/Area                                                                                                                                                    | Brief Description                                                                                                                                                                                                                                                                                                                                                                                          | Status                                   | Comments                                                                                                                                                                    |
|-------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2008-127<br>(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.                                                                                                       | Finding does not warrant further action. | Over three years have passed since the finding was issued. The grantor is not following up on the finding and a management decision has not been issued.                    |
| 2009-163<br>(1)<br>2011-144<br>(3)                    | 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 and has not established procedures to timely resolve Federal findings at those subrecipient districts. | Corrected.                               | Correspondence from the grantor on September 15, 2010, indicated no further action is required for this finding. The grantor did not require repayment of questioned costs. |
| 2009-163<br>(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 Circular A-87 provisions, resulting in questioned costs of \$77,625.                                                                                                                                                                                                            | Corrected.                               | Correspondence from the grantor on September 15, 2010, indicated no further action is required for this finding. The grantor did not require repayment of questioned costs. |
| 2010-119<br>(1)                                       | Special Education - Grants to States (CFDA No. 84.027) and Special Education Grants to States, Recovery Act (CFDA No. 84.391) - Allowable Costs/Cost Principles | The District needed to enhance procedures to ensure that it receives services before it pays for them, and maintains documentation of the process. Contracted services were not fully verified, resulting in questioned costs of \$67,476.                                                                                                                                                                 | Corrected.                               | Correspondence from the grantor on September 15, 2010, indicated no further action is required for this finding. The grantor did not require repayment of questioned costs. |
| 2011-144<br>(1)                                       | Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389) - Eligibility                                                                                             | District procedures did not ensure that Title I schoolwide program resources were properly allocated to, and used at, schools with the greatest need, resulting in questioned costs of \$416,974.30.                                                                                                                                                                                                       | Partially Corrected.                     | Questioned costs have not been resolved. District personnel have requested that the grantor make a determination concerning the allowability of questioned costs.           |
| 2011-144<br>(2)                                       | Title I Grants to Local Educational Agencies (CFDA No. 84.010) and School Improvement Grants (CFDA No. 84.377) - Allowable Costs/Cost Principles                | The District did not maintain required documentation to support personnel charges for two employees in the Title I and School Improvement Grant programs.                                                                                                                                                                                                                                                  | Partially corrected.                     | District personnel have contacted the grantor to resolve this finding.                                                                                                      |

**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 17, 2012

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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: Performance Assessments**

The District has developed an instructional evaluation instrument for FY 2011-2012 that meets the criteria prescribed by Florida Statutes, the new Florida Educator Accomplished Practices, and Race to the Top. The Florida Department of Education has approved the instrument and its implementation.

The District submitted our proposed school-based administrator evaluation instrument to Florida Department of Education (FDOE) on January 27, 2012. Approval is pending as of this date. Subsequently, the District has received a pre-approved school-based administrator evaluation instrument from FDOE that correlates to the new Florida Principal Leadership Standards. The District's leadership team will be meeting to determine the continuation of our current school-based administrative instrument (pending FDOE approval) or adapt the pre-approved model offered by FDOE.

**Finding No. 2: Compensation and Salary Schedules**

The District is in the process of developing a salary schedule that will align with the revised performance assessment instrument for instructors and school-based administrators. As such, a portion of each instructional employee's compensation will be based on performance, and differentiated pay of instructional personnel and school-based administrators will be identified on the salary schedule.

**"Quality Education Today For A Better Tomorrow"**

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

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**Finding No. 3: Adult General Education Courses**

The District has strengthened its communication to all parties concerning changes that are necessary to accurately report instructional contact hours for adult general education. Additional staff members have been placed in the student services department to assist with reporting of instructional contact hours for adult general education classes to Florida Department of Education.

The District has taken steps to transition to a new student data system effective July 1, 2012, that will meet FDOE and WDIS reporting requirements. Additionally, the District will continue to request preliminary reports and validate for accuracy before submission of final reports to the Florida Department of Education.

**Finding No. 4: Purchasing Card Program**

The District, as fiscal agent for the Panhandle Area Educational Consortium (PAEC), will develop a checklist through the PAEC Human Resources department containing all actions to be completed at the time of employment termination. Cancellations of purchase cards will be an item on the list. The use of this form by PAEC Human Resources will serve as an additional measure to ensure the timely cancellation of purchase card privileges.

**Finding No. 5: Information Technology – Access Privileges**

The District will continue its efforts to review access privileges and remove or adjust any inappropriate or unnecessary access privileges. As noted in the report, compensating controls are in place to mitigate the impact of the control deficiencies.

**Finding No. 6: Information Technology – Security Incident Response Plan**

The District has established a team to review security procedures. The team will develop a Security Incident Response Plan to ensure an appropriate, effective and timely response to security incidents.

**Finding No. 7: Information Technology – Security Controls – Data Loss Prevention and Management of Access Privileges**

The District continues to implement security controls that will ensure the continued confidentiality, integrity, and availability of District data and IT resources. Specific details are not given in this response.

EXHIBIT A  
MANAGEMENT'S RESPONSE (CONTINUED)

Washington County School District  
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**Federal Awards Finding No. 1: Allowable Costs/Cost Principles and Sub-recipient Monitoring**

The District, as fiscal agent for Panhandle Area Educational Consortium (PAEC), began implementing measures to strengthen sub-recipient monitoring following the completion of the 2010-11 audit. These measures include providing staff with information and training on the criteria for a sub-recipient and vendor relationship and the requisite monitoring procedures for sub-recipient contracts, particularly those related to the source documentation for sub-recipient expenditures and reconciling payments to the terms of the contract. Additionally, the Program Coordinator for Business Services (PAEC) will assist program administrators with identifying sub-recipient relationships at the time contracts are developed utilizing a "Vendor/Sub-recipient Determination for Federally Funded Contracts" form. For sub-recipient contracts totaling \$500,000 or more in federal funds, PAEC will document communication with the sub-recipient, prior to execution of the contract, to ensure the sub-recipient's understands the audit criteria.

(Contact: Sharon Mitchell, Administrator of Business, Technical and Supplemental Services and Lele Brock, Program Coordinator of Business 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, Superintendent

SMC:mdh