

WASHINGTON COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2012



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2011-12 fiscal year are listed below:

	<u>District No.</u>
Vann Brock	1
Wayne C. Saunders, Chair to 11-21-11	2
Pamela S. Cates, Vice Chair from 11-22-11	3
Terry Ellis, Vice Chair to 11-21-11	4
Susan G. Roberts, Chair from 11-22-11	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 Pamela L. Thompson, 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 or by telephone at (850) 487-9039.

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**WASHINGTON COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS**

	PAGE NO.
EXECUTIVE SUMMARY.....	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	11
Statement of Activities.....	12
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Statement of Net Assets – Proprietary Funds	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	23
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.....	24
Notes to Financial Statements	25
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General and Major Special Revenue Funds.....	48
Schedule of Funding Progress – Other Postemployment Benefits Plan.....	50
Ten-Year Claims Development Information – Panhandle Area Educational Consortium – Risk Management Consortium Property/Casualty Program	51
Notes to Required Supplementary Information.....	52
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	53
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 <i>GOVERNMENT AUDITING STANDARDS</i>.....	55
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.....	57
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	59
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS.....	71
EXHIBIT A MANAGEMENT'S RESPONSE	72

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

MATERIAL WEAKNESS

Finding No. 1: Improvements were needed in financial reporting procedures to ensure that Panhandle Area Educational Consortium account balances and transactions are properly reported.

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. 2: The Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 3: Controls over food service sales needed enhancement.

Finding No. 4: Controls over procurement of contractual services needed to be enhanced.

Finding No. 5: Improvements were needed in controls over the energy savings performance contracting process.

Finding No. 6: Due to oversights, the District made overpayments of \$57,753.29 to its excess insurance carrier.

Finding No. 7: Contrary to Section 1007.271, Florida Statutes, the District assessed students dual enrolled in the welding and cosmetology programs tuition and other fees totaling \$2,160.

Finding No. 8: The District did not have a written information technology (IT) security incident response plan.

Finding No. 9: District 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 Child Nutrition Cluster; State Energy Program; Migrant Education; Pell Grant Program; Education for Homeless Children and Youth Cluster; Voluntary Public School Choice; Improving Teacher Quality; and Race-to-the-Top programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs. Noncompliance and control deficiency findings are summarized below.

Federal Awards Finding No. 1: The District, as fiscal agent for the PAEC, did not have adequate controls over Federal funds passed through to a nonprofit corporation for the Voluntary Public School Choice grant.

Federal Awards Finding No. 2: Controls over Federal Pell Grant Program disbursements could be enhanced.

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. 2012-154.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2012. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington County District School Board, as of and for the fiscal year ended June 30, 2012, 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 12 percent of the assets and 24 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, 2012, 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 (OMB) 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
February 7, 2013

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 2011-12 fiscal year are as follows:

- The District's total net assets decreased by \$1,621,450.69, comprised of a decrease in the net assets of the governmental activities of \$1,777,165.40, and an increase in the net assets of the business-type activities of \$155,714.71. The beginning net assets amount of the business-type activities was reduced by \$918,404.63 for unrecoverable amounts due from the property/casualty excess insurer.
- During the current fiscal year, General Fund expenditures exceeded revenues by \$403,379.04. This may be compared to last fiscal year's results in which General Fund revenues exceeded expenditures by \$554,272.73.

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, including 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 Consortium (RMC) Property/Casualty Program, a public entity risk pool, and the PAEC – RMC Health Program, for which the District is fiscal agent.

Fund Financial Statements

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, 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 an internal service fund to account for the District's Health Self-Insurance Program. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, for those enterprise funds determined to be major. The District's major enterprise funds are the PAEC – Risk Management Property/Casualty Fund, the PAEC – Risk Management Health Fund, the PAEC – Programs Other Than Risk Management 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, 2012, compared to net assets as of June 30, 2011:

	Net Assets, End of Year					
	Governmental Activities		Business-Type Activities		Total	
	6-30-12	6-30-11	6-30-12	6-30-11	6-30-12	6-30-11
Current and Other Assets	\$ 18,979,125.38	\$ 17,734,447.49	\$ 21,844,381.65	\$ 21,370,041.92	\$ 40,823,507.03	\$ 39,104,489.41
Capital Assets	61,825,383.46	62,483,528.56	2,084,855.48	2,179,831.68	63,910,238.94	64,663,360.24
Total Assets	80,804,508.84	80,217,976.05	23,929,237.13	23,549,873.60	104,733,745.97	103,767,849.65
Long-Term Liabilities	6,864,111.25	6,245,851.23	6,445,060.53	6,413,530.81	13,309,171.78	12,659,382.04
Other Liabilities	4,072,579.30	2,327,141.13	3,810,979.19	2,700,455.46	7,883,558.49	5,027,596.59
Total Liabilities	10,936,690.55	8,572,992.36	10,256,039.72	9,113,986.27	21,192,730.27	17,686,978.63
Net Assets:						
Invested in Capital Assets -						
Net of Related Debt	61,645,383.46	62,283,528.56	2,084,855.48	2,179,831.68	63,730,238.94	64,463,360.24
Restricted	6,658,424.56	5,688,823.68	11,757,781.59	12,649,309.42	18,416,206.15	18,338,133.10
Unrestricted (Deficit)	1,564,010.27	3,672,631.45	(169,439.66)	(393,253.77)	1,394,570.61	3,279,377.68
Total Net Assets	\$ 69,867,818.29	\$ 71,644,983.69	\$ 13,673,197.41	\$ 14,435,887.33	\$ 83,541,015.70	\$ 86,080,871.02

The largest portion of the District's net assets (76 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 (22 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (2 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 \$1,355,316.87 (after exclusion of compensated absences of \$1,035,162.53 and other postemployment benefits payable of \$489,594.00) 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, 2012, and June 30, 2011, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities		Business-Type Activities		Total	
	6-30-12	6-30-11	6-30-12	6-30-11	6-30-12	6-30-11
Program Revenues:						
Charges for Services	\$ 1,634,613.26	\$ 1,704,477.64	\$ 9,240,405.49	\$ 9,018,817.70	\$ 10,875,018.75	\$ 10,723,295.34
Operating Grants and Contributions	1,349,273.86	1,311,153.21	186,758.98	491,639.77	1,536,032.84	1,802,792.98
Capital Grants and Contributions	141,706.96	169,793.03			141,706.96	169,793.03
General Revenues:						
Property Taxes, Levied for Operational Purposes	5,840,052.68	6,304,754.95			5,840,052.68	6,304,754.95
Property Taxes, Levied for Capital Projects	1,344,275.76	1,506,576.69			1,344,275.76	1,506,576.69
Grants and Contributions Not Restricted to Specific Programs	27,336,838.09	30,446,988.59	8,483,097.00	9,526,060.75	35,819,935.09	39,973,049.34
Unrestricted Investment Earnings	65,886.34	103,740.18	80,253.96	138,161.58	146,140.30	241,901.76
Gain on Disposal of Assets		39,379.47				39,379.47
Miscellaneous	971,962.37	889,221.32	381,395.20	201,438.82	1,353,357.57	1,090,660.14
Total Revenues	38,684,609.32	42,476,085.08	18,371,910.63	19,376,118.62	57,056,519.95	61,852,203.70
Functions/Program Expenses:						
Instruction	20,073,748.52	21,837,573.92			20,073,748.52	21,837,573.92
Pupil Personnel Services	2,322,598.81	2,614,638.00			2,322,598.81	2,614,638.00
Instructional Media Services	512,283.49	515,154.07			512,283.49	515,154.07
Instruction and Curriculum Development Services	367,294.90	341,970.92			367,294.90	341,970.92
Instructional Staff Training Services	730,953.09	736,715.09			730,953.09	736,715.09
Instruction Related Technology	500,039.30	461,041.33			500,039.30	461,041.33
School Board	412,530.60	429,648.18			412,530.60	429,648.18
General Administration	381,892.53	439,652.58			381,892.53	439,652.58
School Administration	2,679,793.66	2,795,914.86			2,679,793.66	2,795,914.86
Facilities Acquisition and Construction		7,724.24				7,724.24
Fiscal Services	532,941.02	513,795.13			532,941.02	513,795.13
Food Services	1,774,611.64	1,763,044.71			1,774,611.64	1,763,044.71
Central Services	222,949.25	221,207.46			222,949.25	221,207.46
Pupil Transportation Services	2,680,075.77	2,472,887.78			2,680,075.77	2,472,887.78
Operation of Plant	2,389,509.01	2,321,963.98			2,389,509.01	2,321,963.98
Maintenance of Plant	821,559.30	931,239.60			821,559.30	931,239.60
Administrative Technology Services	183,115.65	133,341.78			183,115.65	133,341.78
Community Services	1,589,311.33	1,562,652.98			1,589,311.33	1,562,652.98
Unallocated Interest on Long-Term Debt	10,020.54	11,350.34			10,020.54	11,350.34
Unallocated Depreciation Expense	2,156,603.63	2,172,363.17			2,156,603.63	2,172,363.17
Loss on Disposal of Capital Assets	27,816.40				27,816.40	
PAEC Risk Management Property/Casualty			7,544,691.94	8,213,133.35	7,544,691.94	8,213,133.35
PAEC Risk Management Health			73,438.38	63,278.14	73,438.38	63,278.14
PAEC Programs Other Than Risk Management - Federal Economic Stimulus			2,125,537.80	1,178,443.70	2,125,537.80	1,178,443.70
PAEC Programs Other Than Risk Management			8,564,654.08	10,920,952.56	8,564,654.08	10,920,952.56
Total Functions/Program Expenses	40,369,648.44	42,283,880.12	18,308,322.20	20,375,807.75	58,677,970.64	62,659,687.87
Excess (Deficiency) Before Transfers	(1,685,039.12)	192,204.96	63,588.43	(999,689.13)	(1,621,450.69)	(807,484.17)
Transfers In (Out)	(92,126.28)	(154,607.31)	92,126.28	154,607.31		
Increase (Decrease) in Net Assets	(1,777,165.40)	37,597.65	155,714.71	(845,081.82)	(1,621,450.69)	(807,484.17)
Net Assets - Beginning	71,644,983.69	71,607,386.04	14,435,887.33	15,280,969.15	86,080,871.02	86,888,355.19
Adjustment to Beginning Net Assets			(918,404.63)		(918,404.63)	
Net Assets - Beginning - Restated	71,644,983.69	71,607,386.04	13,517,482.70	15,280,969.15	85,162,466.39	86,888,355.19
Net Assets - Ending	\$ 69,867,818.29	\$ 71,644,983.69	\$ 13,673,197.41	\$ 14,435,887.33	\$ 83,541,015.70	\$ 86,080,871.02

The net assets for the governmental activities of the District decreased \$1,777,165.40 for the 2011-12 fiscal year. This decrease is primarily due to the reduction of Federal economic stimulus funds of \$2,337,727.42 and the reduction in Florida Education Finance Program (FEFP) funding of \$1,033,339. Instruction expenses decreased by \$1,763,825.40 from the previous fiscal year due mainly from a reduction in staffing levels due to the closure of the North West Florida Youth Development Center, formerly known as the A.G. Dozier School for Boys, which resulted in a decrease in salaries and related benefits.

The beginning net assets amount for the business-type activities was reduced by \$918,404.63 for unrecoverable amounts due from the property/casualty excess insurer. For the 2011-12 fiscal year, the net assets for the business-type activities increased \$155,714.71. Contributing factors, in part, for the increase in net assets were decreases in PAEC – Programs Other Than Risk Management Fund purchased services and capital outlay expenses and PAEC – Risk Management Property/Casualty Fund purchased services and insurance claims expenses.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

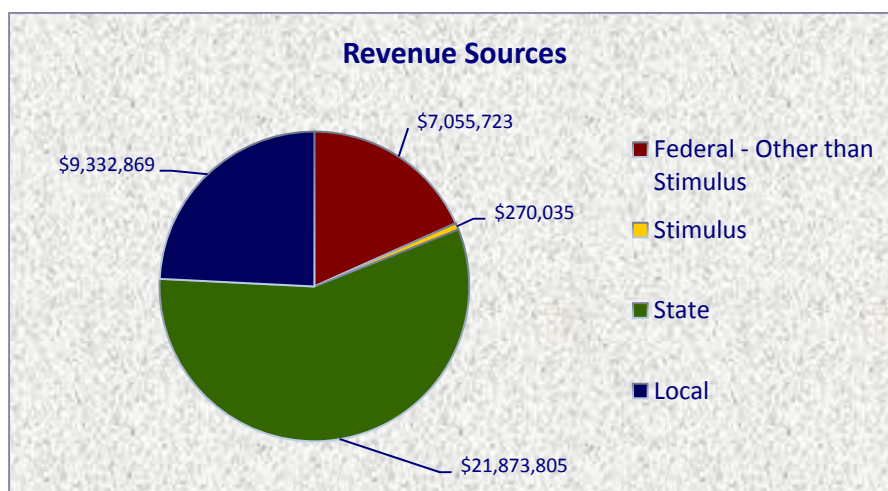
The following indicates the District's governmental fund balances by category for the General Fund, which is the District's chief operating fund.

- *Nonspendable:* The nonspendable fund balance at June 30, 2012, is \$154,266.05. This amount is for investments in the Fund B Surplus Funds Trust Fund, which is not subject to participant withdrawal requests.
- *Restricted:* The total restricted fund balance at June 30, 2012, is \$4,581,337.26, which consists of State required carryover programs, \$3,144,535.88; workforce development, \$1,235,876.98; other required carryover programs, \$67,161.88; and Public Education Capital Outlay maintenance, \$133,762.52.
- *Committed:* Funds totaling \$5,298,071.30 are committed for compensated absences, contract school carryovers, cost center carryovers, project carryovers, environmental cleanup, and replacement of economic stimulus and class size reduction funds.
- *Unassigned:* The unassigned fund balance is \$1,772,888.15 at June 30, 2012.

The overall fund balance in the General Fund decreased \$461,667.43 mainly as a result of a reduction in State FEFP funding, partially offset by a decrease in instruction expenditures due to the staffing reductions from the closure of the North West Florida Youth Development Center.

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 uses these funds to account for certain Federal grant program resources. Since Federal revenue is recognized to the extent that eligible expenditures have been incurred, these funds generally do not accumulate a fund balance. Revenues and expenditures of the Special Revenue – Federal Economic Stimulus Fund total \$270,035.39 each, representing decreases of \$2,337,727.42 each mainly from Federal economic stimulus funding reductions.

The following chart indicates the source of revenues for the District's governmental activities for the 2011-12 fiscal year.



Proprietary Funds

The net assets of the PAEC – Risk Management Property/Casualty Fund total \$11,711,671.19 at June 30, 2012, an increase of \$27,325.95 from the previous year's restated net assets. The increase was primarily due to a decrease in purchased services and payments of insurance claims.

The net assets of the PAEC – Programs Other Than Risk Management Fund total \$1,865,224.18 at June 30, 2012. This fund had an increase of \$120,232.52 due, in part, to a reduction in operating expenses for purchased services and capital outlay.

The PAEC – Programs Other Than Risk Management – Federal Economic Stimulus 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 stimulus program resources received by the PAEC.

The net assets of the PAEC – Risk Management Health 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 rollforwards, contract schools, grants, and construction and maintenance projects, which were in excess of the actual expenditures.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

Major capital asset events during the current fiscal year included the District entering into a 12-year guaranteed energy performance contract for certain equipment and facility upgrades at the vocational center. At June 30, 2012, the project was approximately 50 percent completed. The total estimated cost of the project is \$1.7 million.

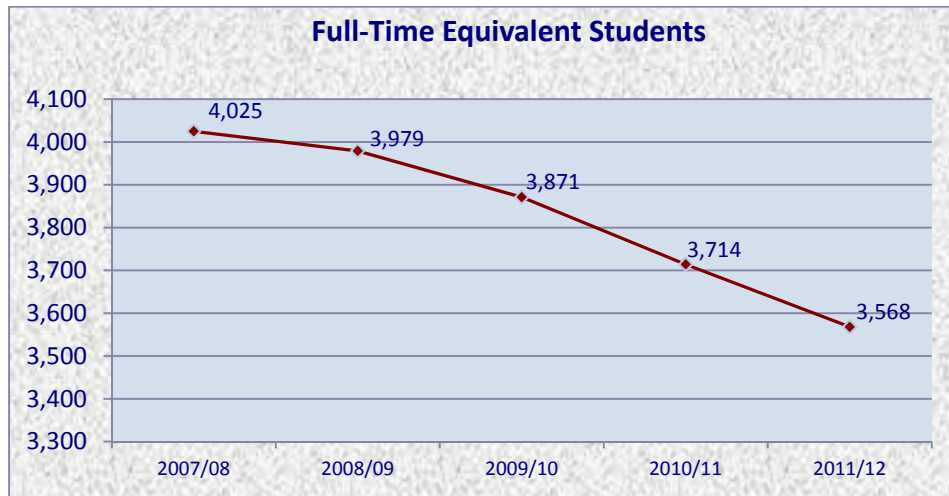
Additional information on the District's capital assets can be found in notes 4 and 14, to the financial statements.

Long-Term Debt

The District did not issue any long-term debt during the 2011-12 fiscal year.

OTHER MATTERS OF SIGNIFICANCE

- *Student Enrollment and Funding:* State revenues comprise 73 percent of total available General Fund resources of the District and are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this statute, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department.
- *Full-Time Equivalent Students:* The following chart reflects the trend of FTE for the last five years. Since the 2007-08 fiscal year, the District's FTE has been in a steady state of decline. The 2011-12 fiscal year is down 457 from the 2007-08 fiscal year count. This difference is primarily caused by closure of the North West Florida Youth Development Center, formerly known as the A.G. Dozier School for Boys, at the end of the 2010-11 fiscal year.



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 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, 2012

		Primary Government	
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 14,545,856.62	\$ 21,682,574.76	\$ 36,228,431.38
Investments	195,031.67	337,843.14	532,874.81
Accounts Receivable	152,891.34	50,352.57	203,243.91
Internal Balances	1,003,488.01	(1,003,488.01)	
Due from Other Agencies	1,743,518.74	153,204.71	1,896,723.45
Due from Excess Insurer	1,338,339.00	620,771.62	1,959,110.62
Inventories		3,122.86	3,122.86
Capital Assets:			
Nondepreciable Capital Assets	2,970,754.92	665,380.10	3,636,135.02
Depreciable Capital Assets, Net	58,854,628.54	1,419,475.38	60,274,103.92
TOTAL ASSETS	\$ 80,804,508.84	\$ 23,929,237.13	\$ 104,733,745.97
LIABILITIES			
Salaries and Benefits Payable	\$ 521,418.24	\$	\$ 521,418.24
Payroll Deductions and Withholdings	284,933.29		284,933.29
Accounts Payable	2,601,967.56	753,578.19	3,355,545.75
Due to Other Agencies	15,175.99	2,887,665.93	2,902,841.92
Deposits Payable	217.00		217.00
Deferred Revenue	193,576.22	169,735.07	363,311.29
Estimated Insurance Claims Payable	455,291.00		455,291.00
Long-Term Liabilities:			
Portion Due Within One Year	125,855.00	2,096,743.00	2,222,598.00
Portion Due After One Year	6,738,256.25	4,348,317.53	11,086,573.78
Total Liabilities	10,936,690.55	10,256,039.72	21,192,730.27
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	61,645,383.46	2,084,855.48	63,730,238.94
Restricted for:			
State Required Carryover Programs	3,144,535.88		3,144,535.88
Debt Service	6,556.14		6,556.14
Capital Projects	1,876,521.26		1,876,521.26
Food Service	194,009.90		194,009.90
Risk Management Programs		11,757,781.59	11,757,781.59
Workforce Development	1,235,876.98		1,235,876.98
Public Education Capital Outlay Maintenance	133,762.52		133,762.52
Other Required Carryover Programs	67,161.88		67,161.88
Unrestricted	1,564,010.27	(169,439.66)	1,394,570.61
Total Net Assets	69,867,818.29	13,673,197.41	83,541,015.70
TOTAL LIABILITIES AND NET ASSETS	\$ 80,804,508.84	\$ 23,929,237.13	\$ 104,733,745.97

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, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 20,073,748.52	\$ 1,053,389.04	\$	\$
Pupil Personnel Services	2,322,598.81			
Instructional Media Services	512,283.49			
Instruction and Curriculum Development Services	367,294.90			
Instructional Staff Training Services	730,953.09			
Instruction Related Technology	500,039.30			
School Board	412,530.60			
General Administration	381,892.53			
School Administration	2,679,793.66			
Facilities Acquisition and Construction				112,186.42
Fiscal Services	532,941.02			
Food Services	1,774,611.64	467,578.50	1,349,273.86	
Central Services	222,949.25			
Pupil Transportation Services	2,680,075.77	113,645.72		
Operation of Plant	2,389,509.01			
Maintenance of Plant	821,559.30			
Administrative Technology Services	183,115.65			
Community Services	1,589,311.33			
Unallocated Interest on Long-Term Debt	10,020.54			29,520.54
Unallocated Depreciation Expense*	2,156,603.63			
Loss on Disposal of Capital Assets	27,816.40			
Total Governmental Activities	40,369,648.44	1,634,613.26	1,349,273.86	141,706.96
Business-Type Activities:				
PAEC - Risk Management Property/Casualty	7,544,691.94	7,487,756.00	11,045.00	
PAEC - Risk Management Health	73,438.38		68,739.00	
PAEC - Programs Other Than Risk Management - Federal Economic Stimulus	2,125,537.80			
PAEC - Programs Other Than Risk Management	8,564,654.08	1,752,649.49	106,974.98	
Total Business-Type Activities	18,308,322.20	9,240,405.49	186,758.98	
Total Primary Government	\$ 58,677,970.64	\$ 10,875,018.75	\$ 1,536,032.84	\$ 141,706.96

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers**Change in Net Assets**

Net Assets - Beginning

Adjustment to Beginning Net Assets

Net Assets - Beginning - Restated

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 Activities	Business-Type Activities	Total
\$ (19,020,359.48)	\$	\$ (19,020,359.48)
(2,322,598.81)		(2,322,598.81)
(512,283.49)		(512,283.49)
(367,294.90)		(367,294.90)
(730,953.09)		(730,953.09)
(500,039.30)		(500,039.30)
(412,530.60)		(412,530.60)
(381,892.53)		(381,892.53)
(2,679,793.66)		(2,679,793.66)
112,186.42		112,186.42
(532,941.02)		(532,941.02)
42,240.72		42,240.72
(222,949.25)		(222,949.25)
(2,566,430.05)		(2,566,430.05)
(2,389,509.01)		(2,389,509.01)
(821,559.30)		(821,559.30)
(183,115.65)		(183,115.65)
(1,589,311.33)		(1,589,311.33)
19,500.00		19,500.00
(2,156,603.63)		(2,156,603.63)
(27,816.40)		(27,816.40)
(37,244,054.36)		(37,244,054.36)
	(45,890.94)	(45,890.94)
	(4,699.38)	(4,699.38)
	(2,125,537.80)	(2,125,537.80)
	(6,705,029.61)	(6,705,029.61)
	(8,881,157.73)	(8,881,157.73)
(37,244,054.36)	(8,881,157.73)	(46,125,212.09)
5,840,052.68		5,840,052.68
1,344,275.76		1,344,275.76
27,336,838.09	8,483,097.00	35,819,935.09
65,886.34	80,253.96	146,140.30
971,962.37	381,395.20	1,353,357.57
(92,126.28)	92,126.28	
35,466,888.96	9,036,872.44	44,503,761.40
(1,777,165.40)	155,714.71	(1,621,450.69)
71,644,983.69	14,435,887.33	86,080,871.02
	(918,404.63)	(918,404.63)
71,644,983.69	13,517,482.70	85,162,466.39
\$ 69,867,818.29	\$ 13,673,197.41	\$ 83,541,015.70

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 12,804,142.00	\$ 749.97	\$
Investments	154,266.05		
Accounts Receivable	152,891.34		
Due from Other Funds	143,210.79		
Due from Other Agencies	32,776.99	1,486,935.89	9,844.06
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 13,287,287.17</u>	<u>\$ 1,487,685.86</u>	<u>\$ 9,844.06</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 521,418.24	\$	\$
Payroll Deductions and Withholdings	284,933.29		
Accounts Payable	273,503.73	347,598.63	8,612.34
Due to Other Funds	385,016.16	1,137,797.26	1,231.72
Due to Other Agencies	12,975.99	2,200.00	
Deposits Payable	217.00		
Deferred Revenue	2,660.00	89.97	
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,480,724.41</u>	<u>1,487,685.86</u>	<u>9,844.06</u>
Fund Balances:			
Nonspendable:			
Fund B Investments	154,266.05		
Restricted for:			
State Required Carryover Programs	3,144,535.88		
Debt Service			
Capital Projects			
Food Service			
Workforce Development	1,235,876.98		
Public Education Capital Outlay Maintenance	133,762.52		
Other Required Carryover Programs	67,161.88		
Total Restricted Fund Balance	<u>4,581,337.26</u>		
Committed to:			
Compensated Absences	2,880,605.66		
Contract School Carryovers	1,000,679.98		
Cost Center Carryovers	487,616.79		
Project Carryovers	270,638.69		
Environmental Cleanup	200,000.00		
Replacement of Economic Stimulus and Class Size Reduction Funds	458,530.18		
Total Committed Fund Balance	<u>5,298,071.30</u>		
Unassigned Fund Balance	<u>1,772,888.15</u>		
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>11,806,562.76</u>		
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,287,287.17</u>	<u>\$ 1,487,685.86</u>	<u>\$ 9,844.06</u>

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

Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$ 1,740,964.65	\$ 14,545,856.62
40,765.62	195,031.67
	152,891.34
292,889.88	436,100.67
<u>213,961.80</u>	<u>1,743,518.74</u>
<u>\$ 2,288,581.95</u>	<u>\$ 17,073,399.04</u>
\$	\$ 521,418.24
	284,933.29
20,668.40	650,383.10
	1,524,045.14
	15,175.99
	217.00
<u>190,826.25</u>	<u>193,576.22</u>
<u>211,494.65</u>	<u>3,189,748.98</u>
<u>34,209.48</u>	<u>188,475.53</u>
	3,144,535.88
6,556.14	6,556.14
1,842,311.78	1,842,311.78
194,009.90	194,009.90
	1,235,876.98
	133,762.52
	67,161.88
<u>2,042,877.82</u>	<u>6,624,215.08</u>
	2,880,605.66
	1,000,679.98
	487,616.79
	270,638.69
	200,000.00
	458,530.18
<u> </u>	<u>5,298,071.30</u>
<u> </u>	<u>1,772,888.15</u>
<u>2,077,087.30</u>	<u>13,883,650.06</u>
<u>\$ 2,288,581.95</u>	<u>\$ 17,073,399.04</u>

WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total Fund Balances - Governmental Funds	\$ 13,883,650.06
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	61,825,383.46
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Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	1,022,896.02
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Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:

Bonds Payable	\$ 180,000.00	
Compensated Absences Payable	3,441,742.25	
Other Postemployment Benefits Payable	3,242,369.00	(6,864,111.25)

Total Net Assets - Governmental Activities	\$ 69,867,818.29
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The accompanying notes to financial statements are an integral part of this statement.

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WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 122,704.46	\$ 1,204,363.53	\$
Federal Through State and Local	70,750.60	4,336,432.74	270,035.39
State	21,334,654.16	371,744.57	
Local:			
Property Taxes	5,840,052.68		
Charges for Services - Food Service			
Miscellaneous	1,671,419.80	84.94	
Total Local Revenues	7,511,472.48	84.94	
Total Revenues	29,039,581.70	5,912,625.78	270,035.39
Expenditures			
Current - Education:			
Instruction	17,046,414.56	2,203,045.85	65,776.10
Pupil Personnel Services	959,150.89	1,295,576.32	797.00
Instructional Media Services	475,190.63		9,699.00
Instruction and Curriculum Development Services	261,301.52	67,433.27	
Instructional Staff Training Services	197,815.84	420,268.40	87,130.72
Instruction Related Technology	477,073.95		
School Board	404,088.00		
General Administration	285,490.33	80,833.52	3,168.06
School Administration	2,668,358.14		
Fiscal Services	573,643.45		
Food Services	6,380.13		
Central Services	197,840.27		5,117.92
Pupil Transportation Services	2,240,239.26		
Operation of Plant	2,384,263.24	4,871.73	
Maintenance of Plant	805,952.42		
Administrative Technology Services	204,478.44		
Community Services	84,030.44	1,505,280.89	
Fixed Capital Outlay:			
Facilities Acquisition and Construction	40,816.49		
Other Capital Outlay	130,432.74	335,315.80	98,346.59
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	29,442,960.74	5,912,625.78	270,035.39
Excess (Deficiency) of Revenues Over Expenditures	(403,379.04)		
Other Financing Sources (Uses)			
Transfers In	406,680.08		
Insurance Loss Recoveries	869.69		
Transfers Out	(465,838.16)		
Total Other Financing Uses	(58,288.39)		
Net Change in Fund Balances	(461,667.43)		
Fund Balances, Beginning	12,268,230.19		
Fund Balances, Ending	\$ 11,806,562.76	\$ 0.00	\$ 0.00

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

Other Governmental Funds	Total Governmental Funds
<u> </u>	<u> </u>
\$	\$
1,321,471.86	1,327,067.99
167,406.17	5,998,690.59
	21,873,804.90
1,344,275.76	7,184,328.44
467,578.50	467,578.50
9,456.98	1,680,961.72
<u>1,821,311.24</u>	<u>9,332,868.66</u>
3,310,189.27	38,532,432.14
	19,315,236.51
	2,255,524.21
	484,889.63
	328,734.79
	705,214.96
	477,073.95
	404,088.00
	369,491.91
	2,668,358.14
	573,643.45
1,737,205.37	1,743,585.50
	202,958.19
	2,240,239.26
	2,389,134.97
	805,952.42
	204,478.44
	1,589,311.33
868,432.59	909,249.08
325,557.00	889,652.13
20,000.00	20,000.00
10,020.54	10,020.54
<u>2,961,215.50</u>	<u>38,586,837.41</u>
348,973.77	(54,405.27)
504,819.16	911,499.24
(537,787.36)	869.69
	(1,003,625.52)
<u>(32,968.20)</u>	<u>(91,256.59)</u>
316,005.57	(145,661.86)
1,761,081.73	14,029,311.92
<u>\$ 2,077,087.30</u>	<u>\$ 13,883,650.06</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, 2012**

Net Change in Fund Balances - Governmental Funds	\$ (145,661.86)
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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 fiscal year.	(629,942.43)
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The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.	(28,202.67)
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Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period.	20,000.00
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In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year.	259,402.98
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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.	(897,663.00)
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Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service funds is reported with governmental activities.	(355,098.42)
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Change in Net Assets - Governmental Activities	\$ (1,777,165.40)
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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, 2012**

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	PAEC - Risk Management Property/Casualty	PAEC - Risk Management Health	PAEC - Programs Other Than Risk Management - Federal Economic Stimulus	PAEC - Programs Other Than Risk Management		
ASSETS						
Current Assets:						
Cash and Cash Equivalents	\$ 15,838,557.86	\$ 4,607,457.04	\$	\$ 1,236,559.86	\$ 21,682,574.76	\$
Investments	262,795.93	36,047.88		38,999.33	337,843.14	
Accounts Receivable				50,352.57	50,352.57	
Due From Other Funds			492,576.65	620,477.29	1,113,053.94	2,091,432.48
Due From Other Agencies				153,204.71	153,204.71	
Due From Excess Insurer	620,771.62				620,771.62	1,338,339.00
Inventories				3,122.86	3,122.86	
Total Current Assets	16,722,125.41	4,643,504.92	492,576.65	2,102,716.62	23,960,923.60	3,429,771.48
Noncurrent Assets:						
Land				665,380.10	665,380.10	
Improvements Other Than Buildings, Net				186,344.77	186,344.77	
Buildings and Fixed Equipment, Net				982,487.46	982,487.46	
Furniture, Fixtures, and Equipment, Net	5,260.84	2,025.97	42,904.83	195,063.88	245,255.52	
Computer Software, Net				5,387.63	5,387.63	
Total Noncurrent Assets	5,260.84	2,025.97	42,904.83	2,034,663.84	2,084,855.48	
TOTAL ASSETS	\$ 16,727,386.25	\$ 4,645,530.89	\$ 535,481.48	\$ 4,137,380.46	\$ 26,045,779.08	\$ 3,429,771.48
LIABILITIES						
Current Liabilities:						
Accounts Payable	\$ 26,205.35	\$	\$ 201,914.18	\$ 525,458.66	\$ 753,578.19	\$ 1,951,584.46
Due to Other Funds	5,158.61	2,091,432.48	12,563.14	7,387.72	2,116,541.95	
Due to Other Agencies	2,127.24	2,474,115.98	278,099.33	133,323.38	2,887,665.93	
Deferred Revenue				169,735.07	169,735.07	
Estimated Insurance Claims Payable	2,096,743.00				2,096,743.00	455,291.00
Total Current Liabilities	2,130,234.20	4,565,548.46	492,576.65	835,904.83	8,024,264.14	2,406,875.46
Noncurrent Liabilities:						
Compensated Absences Payable	38,652.77	20,808.91		975,700.85	1,035,162.53	
Estimated Insurance Claims Payable	2,823,561.00				2,823,561.00	
Other Postemployment Benefits Payable	23,267.09	5,776.31		460,550.60	489,594.00	
Total Noncurrent Liabilities	2,885,480.86	26,585.22		1,436,251.45	4,348,317.53	
Total Liabilities	5,015,715.06	4,592,133.68	492,576.65	2,272,156.28	12,372,581.67	2,406,875.46
NET ASSETS						
Invested in Capital Assets	5,260.84	2,025.97	42,904.83	2,034,663.84	2,084,855.48	
Unrestricted	11,706,410.35	51,371.24		(169,439.66)	11,588,341.93	1,022,896.02
Total Net Assets	11,711,671.19	53,397.21	42,904.83	1,865,224.18	13,673,197.41	1,022,896.02
TOTAL LIABILITIES AND NET ASSETS	\$ 16,727,386.25	\$ 4,645,530.89	\$ 535,481.48	\$ 4,137,380.46	\$ 26,045,779.08	\$ 3,429,771.48

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, 2012**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	PAEC - Risk Management Property/Casualty	PAEC - Risk Management Health	PAEC - Programs Other Than Risk Management - Federal Economic Stimulus	PAEC - Programs Other Than Risk Management	Total
OPERATING REVENUES					
Charges for Services	\$	\$	\$	\$ 1,738,469.82	\$ 1,738,469.82
Charges for Sales				14,179.67	14,179.67
Premium Revenues	7,487,756.00			106,974.98	7,487,756.00
Other Operating Revenues	11,045.00	68,739.00			186,758.98
Total Operating Revenues	7,498,801.00	68,739.00		1,859,624.47	9,427,164.47
OPERATING EXPENSES					
Salaries	183,313.28	59,739.19	223,990.61	3,329,216.14	3,796,259.22
Employee Benefits	46,663.96	12,419.01	46,779.00	801,601.15	907,463.12
Purchased Services	221,123.85	60.00	1,700,347.72	3,627,041.40	5,548,572.97
Energy Services				48,193.58	48,193.58
Materials and Supplies	23,650.75		30,493.42	221,845.25	275,989.42
Capital Outlay	2,536.33		53,489.35	47,908.26	103,933.94
Insurance Claims	2,435,994.92				2,435,994.92
Excess Insurance Premiums	4,175,549.98				4,175,549.98
Service Agent Fees	448,997.00				448,997.00
Other Expenses	285.00	325.00	60,128.76	320,519.53	381,258.29
Depreciation	6,576.87	895.18	10,308.94	141,103.79	158,884.78
Total Operating Expenses	7,544,691.94	73,438.38	2,125,537.80	8,537,429.10	18,281,097.22
Operating Loss	(45,890.94)	(4,699.38)	(2,125,537.80)	(6,677,804.63)	(8,853,932.75)
NONOPERATING REVENUES (EXPENSES)					
Interest Revenue	73,216.89	125.54		6,911.53	80,253.96
Federal Grants			2,138,267.88	5,002,721.24	7,140,989.12
State Grants				1,341,957.88	1,341,957.88
Local Gifts and Grants				150.00	150.00
Miscellaneous Local Sources				381,395.20	381,395.20
Loss on Disposal of Assets				(27,224.98)	(27,224.98)
Total Nonoperating Revenues	73,216.89	125.54	2,138,267.88	6,705,910.87	8,917,521.18
Income (Loss) Before Transfers	27,325.95	(4,573.84)	12,730.08	28,106.24	63,588.43
Transfers In				92,126.28	92,126.28
Change in Net Assets	27,325.95	(4,573.84)	12,730.08	120,232.52	155,714.71
Net Assets - Beginning	12,602,749.87	57,971.05	30,174.75	1,744,991.66	14,435,887.33
Adjustment to Beginning Net Assets	(918,404.63)				(918,404.63)
Net Assets - Beginning - Restated	11,684,345.24	57,971.05	30,174.75	1,744,991.66	13,517,482.70
Total Net Assets - Ending	\$ 11,711,671.19	\$ 53,397.21	\$ 42,904.83	\$ 1,865,224.18	\$ 13,673,197.41

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, 2012**

	Business-Type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Fund
	PAEC - Risk Management Property/Casualty	PAEC - Risk Management Health	PAEC - Programs Other Than Risk Management - Federal Economic Stimulus	PAEC - Programs Other Than Risk Management		
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash Received from Board Funds and Participants	\$ 7,487,756.00	\$	\$	\$ 1,561,378.39	\$ 9,049,134.39	\$ 4,668,208.81
Cash Payments to Suppliers for Goods and Services	(4,874,681.57)	(385.00)	(1,844,459.25)	(3,953,395.88)	(10,672,921.70)	214,554.40
Cash Payments to Employees for Services	(222,358.90)	(54,084.49)	(270,769.61)	(3,946,114.62)	(4,493,327.62)	
Cash Payments for Insurance Claims	(2,614,859.92)				(2,614,859.92)	(3,656,150.44)
Cash Received (Paid) from Other Operating Revenues	(371,343.08)	308,240.61		106,974.98	43,872.51	(1,232,184.26)
Net Cash Provided (Used) by Operating Activities	(595,487.47)	253,771.12	(2,115,228.86)	(6,231,157.13)	(8,688,102.34)	(5,571.49)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Proceeds from Gifts and Federal and State Grants			2,138,267.88	6,726,224.32	8,864,492.20	
Transfer from Other Funds				92,126.28	92,126.28	
Net Cash Provided by Noncapital Financing Activities			2,138,267.88	6,818,350.60	8,956,618.48	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and Construction of Capital Assets	(1,759.31)	(1,588.05)	(23,039.02)	(64,747.18)	(91,133.56)	
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from Sales and Maturity of Investments	36,171.46	4,961.67		5,367.89	46,501.02	
Interest Income	73,216.89	125.54		6,911.53	80,253.96	5,571.49
Net Cash Provided by Investing Activities	109,388.35	5,087.21		12,279.42	126,754.98	5,571.49
Net Increase (Decrease) in Cash and Cash Equivalents	(487,858.43)	257,270.28		534,725.71	304,137.56	
Cash and Cash Equivalents, Beginning	16,326,416.29	4,350,186.76		701,834.15	21,378,437.20	
Cash and Cash Equivalents, Ending	\$ 15,838,557.86	\$ 4,607,457.04	\$ 0.00	\$ 1,236,559.86	\$ 21,682,574.76	\$ 0.00

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

Operating Loss	\$ (45,890.94)	\$ (4,699.38)	\$ (2,125,537.80)	\$ (6,677,804.63)	\$ (8,853,932.75)	\$ (360,669.91)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:						
Depreciation	6,576.87	895.18	10,308.94	141,103.79	158,884.78	
Changes in Assets and Liabilities:						
Increase in Accounts Receivable				(48,298.22)	(48,298.22)	
Increase in Due from Excess Insurer	(382,388.08)				(382,388.08)	(1,292,731.00)
(Increase) Decrease in Due From Other Funds	4,800.00		(492,100.64)	(236,907.90)	(724,208.54)	60,546.74
Decrease in Inventories				39.95	39.95	
Decrease in Due from Other Agencies				77,442.82	77,442.82	
Increase (Decrease) in Accounts Payable	(1,441.44)		201,518.91	210,265.99	410,343.46	1,354,200.68
Increase in Compensated Absences Payable	527.34	16,339.16		49,924.22	66,790.72	
Increase in Other Postemployment Benefits Payable	7,091.00	1,734.55		134,778.45	143,604.00	
Increase (Decrease) in Due to Other Funds	(2,050.68)	(60,546.74)	12,482.40	(7,580.73)	(57,695.75)	
Increase (Decrease) in Due to Other Agencies	(3,846.54)	300,048.35	278,099.33	109,386.93	683,688.07	
Increase in Deferred Revenue				16,492.20	16,492.20	
Increase (Decrease) in Estimated Insurance Claims Payable	(178,865.00)				(178,865.00)	233,082.00
Total Adjustments	(549,596.53)	258,470.50	10,308.94	446,647.50	165,830.41	355,098.42
Net Cash Provided (Used) by Operating Activities	\$ (595,487.47)	\$ 253,771.12	\$ (2,115,228.86)	\$ (6,231,157.13)	\$ (8,688,102.34)	\$ (5,571.49)

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, 2012**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 753,460.00
Investments	39,052.00
Inventory	<u>12,099.00</u>
TOTAL ASSETS	<u><u>\$ 804,611.00</u></u>
LIABILITIES	
Accounts Payable	\$ 17,153.00
Internal Accounts Payable	<u>787,458.00</u>
TOTAL LIABILITIES	<u><u>\$ 804,611.00</u></u>

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

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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, 2012**

- 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 the American Recovery and Reinvestment Act (ARRA) and other Federal stimulus programs.

The District reports the following major enterprise funds:

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

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

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

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, 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

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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 GASB. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges for property, casualty, and workers' compensation premiums and charges for services and sales. The principal operating revenues of the District's internal service fund are charges for employee health insurance premiums. Operating expenses consist primarily of purchased services, salaries, insurance claims, and excess coverage 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 the SBA debt service accounts for investment of debt service moneys, and amounts placed with the SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.83481105 at June 30, 2012. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

Investments made locally consist of 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.

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

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 that 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 the stated buildings value, and \$153,508.12 of the stated improvements other than buildings value, are based on these estimates.

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

<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.

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.

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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 the 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 the FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

The Board adopted the 2011 tax levy on September 12, 2011. 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.

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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. 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

Budgetary Information. 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, 2012**

3. INVESTMENTS

As of June 30, 2012, the District has the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	38 Day Average	\$ 32,913,291.62
Fund B	5.73 Year Average	526,318.67
Debt Service Accounts	6 Months	6,556.14
Certificates of Deposit	March 2013 to March 2014	39,052.00
Total Investments		<u>\$ 33,485,218.43</u>

Note: (1) This investment is 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. Section 218.415(17), Florida Statutes limits investments maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Florida PRIME had a weighted average days to maturity (WAM) of 38 days at June 30, 2012. 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. At June 30, 2012, based on expected future cash flows, the WAL of Fund B is estimated at 5.73 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

➤ **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

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

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

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions (1)	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,913,802.15	\$	\$	\$ 1,913,802.15
Land Improvements	65,781.00			65,781.00
Construction in Progress	17,438.75	973,733.02		991,171.77
Total Capital Assets Not Being Depreciated	1,997,021.90	973,733.02		2,970,754.92
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	2,008,665.49	40,945.00	17,430.28	2,032,180.21
Buildings and Fixed Equipment	71,169,637.01	5,454.08	3,000.00	71,172,091.09
Furniture, Fixtures, and Equipment	8,283,988.12	568,899.80	527,948.57	8,324,939.35
Motor Vehicles	5,833,484.99	322,238.00	53,210.40	6,102,512.59
Audio Visual Materials and Computer Software	466,759.35	33,753.58	2,475.94	498,036.99
Total Capital Assets Being Depreciated	87,762,534.96	971,290.46	604,065.19	88,129,760.23
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	668,333.69	102,954.69	9,886.13	761,402.25
Buildings and Fixed Equipment	16,361,007.72	1,452,546.85	1,050.01	17,812,504.56
Furniture, Fixtures, and Equipment	6,514,096.65	555,321.78	513,773.26	6,555,645.17
Motor Vehicles	3,298,154.40	449,661.94	49,133.56	3,698,682.78
Audio Visual Materials and Computer Software	434,435.84	14,866.92	2,405.83	446,896.93
Total Accumulated Depreciation	27,276,028.30	2,575,352.18	576,248.79	29,275,131.69
Total Capital Assets Being Depreciated, Net	60,486,506.66	(1,604,061.72)	27,816.40	58,854,628.54
Governmental Activities Capital Assets, Net	\$ 62,483,528.56	\$ (630,328.70)	\$ 27,816.40	\$ 61,825,383.46

Note: (1) Includes the effect of receiving an asset from business-type activities with the associated accumulated depreciation of \$386.27 to reconcile to reported depreciation expense.

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

	Beginning Balance	Additions	Deletions	Ending 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	2,787,916.78	91,133.56	523,018.67	2,356,031.67
Motor Vehicles	1,000.00		1,000.00	
Audio Visual Materials and Computer Software	137,038.51		2,772.75	134,265.76
Total Capital Assets Being Depreciated	4,371,822.42	91,133.56	526,791.42	3,936,164.56
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	121,973.28	13,629.38		135,602.66
Buildings and Fixed Equipment	118,675.20	22,757.04		141,432.24
Furniture, Fixtures, and Equipment	2,493,920.83	112,823.70	495,968.38	2,110,776.15
Motor Vehicles	1,000.00		1,000.00	
Audio Visual Materials and Computer Software	121,801.53	9,674.66	2,598.06	128,878.13
Total Accumulated Depreciation	2,857,370.84	158,884.78	499,566.44	2,516,689.18
Total Capital Assets Being Depreciated, Net	1,514,451.58	(67,751.22)	27,224.98	1,419,475.38
Business-Type Activities Capital Assets, Net	\$ 2,179,831.68	\$ (67,751.22)	\$ 27,224.98	\$ 2,084,855.48

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 418,362.28
Unallocated	<u>2,156,603.63</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,574,965.91</u></u>
BUSINESS-TYPE ACTIVITIES	
PAEC - Risk Management Property/Casualty	\$ 6,576.87
PAEC - Risk Management Health	895.18
PAEC - Programs Other Than Risk Management - Federal Economic Stimulus	10,308.94
PAEC - Programs Other Than Risk Management	<u>141,103.79</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 158,884.78</u></u>

5. BONDS PAYABLE

Bonds payable at June 30, 2012, are as follows:

Bond Type	Amount Outstanding	Interest Rate (Percent)	Annual Maturity To
State School Bonds:			
Series 2005B, Refunding	<u><u>\$ 180,000</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, 2012**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2012, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2013	\$ 29,000	\$ 20,000	\$ 9,000
2014	38,000	30,000	8,000
2015	36,500	30,000	6,500
2016	35,000	30,000	5,000
2017	38,500	35,000	3,500
2018	36,750	35,000	1,750
Total State School Bonds	<u>\$ 213,750</u>	<u>\$ 180,000</u>	<u>\$ 33,750</u>

6. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 200,000.00	\$	\$ 20,000.00	\$ 180,000.00	\$ 20,000.00
Compensated Absences Payable	3,701,145.23	247,609.02	507,012.00	3,441,742.25	105,855.00
Other Postemployment Benefits Payable	2,344,706.00	1,694,992.00	797,329.00	3,242,369.00	
Total Governmental Activities	<u>\$ 6,245,851.23</u>	<u>\$ 1,942,601.02</u>	<u>\$ 1,324,341.00</u>	<u>\$ 6,864,111.25</u>	<u>\$ 125,855.00</u>
BUSINESS-TYPE ACTIVITIES					
Estimated Insurance Claims Payable	\$ 5,099,169.00	\$ 3,145,029.00	\$ 3,323,894.00	\$ 4,920,304.00	\$ 2,096,743.00
Compensated Absences Payable	968,371.81	75,505.71	8,714.99	1,035,162.53	
Other Postemployment Benefits Payable	345,990.00	184,617.00	41,013.00	489,594.00	
Total Business-Type Activities	<u>\$ 6,413,530.81</u>	<u>\$ 3,405,151.71</u>	<u>\$ 3,373,621.99</u>	<u>\$ 6,445,060.53</u>	<u>\$ 2,096,743.00</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, 2012**

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	\$ 143,210.79	\$ 385,016.16
Special Revenue:		
Other		1,137,797.26
Federal Economic Stimulus		1,231.72
Major Enterprise:		
PAEC - Risk Management Property/Casualty		5,158.61
PAEC - Risk Management Health		2,091,432.48
PAEC - Programs Other Than Risk Management	620,477.29	7,387.72
PAEC - Programs Other Than Risk Management - Federal Economic Stimulus	492,576.65	12,563.14
Nonmajor Governmental	292,889.88	
Internal Service:		
Washington County - Risk Management Health	2,091,432.48	
Total	<u>\$ 3,640,587.09</u>	<u>\$ 3,640,587.09</u>

Interfund receivables and payables are recorded to reflect fees, reimbursements, and advances owed by one fund to another as of June 30, 2012. 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	\$ 406,680.08	\$ 465,838.16
Major Enterprise:		
PAEC - Programs Other Than Risk Management	92,126.28	
Nonmajor Governmental	504,819.16	537,787.36
Total	<u>\$ 1,003,625.52</u>	<u>\$ 1,003,625.52</u>

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Transfers to the General Fund were for reimbursement of maintenance, renovation, operating lease expenditures, and insurance premiums. Transfers to the enterprise fund were for costs associated with the fiscal agent agreement. Transfers to the nonmajor governmental fund were to provide financial resources for the guaranteed energy savings project at the vocational center.

8. FUND BALANCE REPORTING

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

➤ **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. 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.

➤ **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. The District did not have any assigned fund balances at June 30, 2012.

➤ **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.

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

9. ADJUSTMENT TO BEGINNING NET ASSETS

The District is fiscal agent for the PAEC – Risk Management Consortium (RMC) Property/Casualty Program. In prior fiscal years, the District did not reduce the Due From Excess Insurer for unrecoverable amounts. As a result, Due From Excess Insurer and Beginning Net Assets have been decreased by \$918,404.63 each.

10. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue sources for the 2011-12 fiscal year:

Source	Amount
Governmental Funds:	
Florida Education Finance Program	\$ 13,992,002.00
Categorical Educational Program - Class Size Reduction	3,466,686.00
Workforce Development Program	3,246,178.00
Adults with Disabilities	161,125.79
School Recognition	121,145.00
Miscellaneous	886,668.11
Subtotal - Governmental	21,873,804.90
Enterprise Funds:	
Regional Educational Consortium Services	650,465.62
Reading Initiative	349,711.46
Distance Learning Teacher Training	231,540.05
Miscellaneous	110,240.75
Subtotal - Enterprise	1,341,957.88
Total	\$ 23,215,762.78

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, 2012**

11. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2011 tax roll for the 2011-12 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.529	\$ 5,090,260
Basic Discretionary Local Effort	0.748	688,644
Critical Operating Needs	0.250	230,162
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,380,971
Total	<u>8.027</u>	<u>\$ 7,390,037</u>

12. FLORIDA RETIREMENT SYSTEM

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

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

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

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Elected County Officers	3.00	11.14
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
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 the Investment Plan.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions, including employee contributions, for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$2,455,720.30, \$2,648,372.81, and \$1,675,116.63, respectively, which were equal to the required contributions for each fiscal year.

There were 55 District participants in the Investment Plan during the 2011-12 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled \$122,208.19, which was equal to the required contribution for the 2011-12 fiscal year.

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

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

13. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

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

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 185 retirees received other postemployment benefits. The District provided required contributions of \$838,342 toward the annual OPEB cost, net of retiree contributions totaling \$1,016,504, which represents 5.56 percent of covered payroll.

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

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Description	Amount
Normal Cost (service cost for one year)	\$ 942,365
Amortization of Unfunded Actuarial Accrued Liability	<u>935,863</u>
Annual Required Contribution	1,878,228
Interest on Net OPEB Obligation	95,520
Adjustment to Annual Required Contribution	<u>(94,139)</u>
Annual OPEB Cost (Expense)	1,879,609
Contribution Toward the OPEB Cost	<u>(838,342)</u>
Increase in Net OPEB Obligation	1,041,267
Net OPEB Obligation, Beginning of Year	<u>2,690,696</u>
Net OPEB Obligation, End of Year	<u><u>\$ 3,731,963</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2012, and the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<u> </u>	<u> </u>	<u> </u>	<u> </u>
2009-10	\$1,546,143	47.12%	\$1,654,034
2010-11	1,790,087	42.09%	2,690,696
2011-12	1,879,609	44.60%	3,731,963

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

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

The District's OPEB actuarial valuation as of October 1, 2010, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2012, and to estimate the District's 2011-12 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.55 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 8 percent beginning October 1, 2010, reduced to an ultimate rate of 5 percent after 9 years. The investment rate of return and payroll growth rate include a general price inflation rate of 3 percent. 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, 2012, was 26 years.

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

The following is a schedule of encumbrances at June 30, 2012:

Major Governmental Funds		Nonmajor Governmental Funds	Total Governmental Funds
General	Special Revenue - Other		
<u>\$ 48,793.72</u>	<u>\$ 42,157.64</u>	<u>\$ 1,402,147.00</u>	<u>\$ 1,493,098.36</u>
Major Enterprise Funds			
	PAEC - Programs Other Than Risk	PAEC - Programs Other Than Risk Management	Total Enterprise Funds
PAEC - Risk Management Property/ Casualty	Management - Federal Economic Stimulus		
<u>\$ 28,215.75</u>	<u>\$ 281,705.20</u>	<u>\$ 221,815.79</u>	<u>\$ 531,736.74</u>

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

Project	Contract Amount	Completed to Date	Balance Committed
Washington-Holmes Technical Center:			
Guaranteed Energy Savings Project:			
Contractor	\$ 1,736,212	\$ 857,850	\$ 878,362

15. CONSORTIUMS

The District is a member of, and the fiscal agent for, the PAEC. The PAEC was established pursuant to Sections 1001.42(4)(j), 1001.42(12), and 1001.451, Florida Statutes, creating a Regional Consortium Service Organization for acquisition of materials, supplies, equipment, 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 PAEC. The member associations are the PAEC – RMC, the Gateway/PAEC Educational Computing Consultants Project, and the Gateway Student Systems Consortium. The PAEC associations were joined together to function as supporting units to the PAEC. Financial information applicable to the PAEC is included in the business-type activities of the financial statements.

16. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the 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, employee dishonesty, equipment breakdown, and other coverage deemed necessary by the members of the PAEC-RMC. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The PAEC-RMC is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the PAEC-RMC is composed of superintendents of all participating districts. The District serves as fiscal agent for the PAEC-RMC. Activities related to the PAEC-RMC Property/Casualty Program are included in the business-type activities on the financial statements and in note 17.

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

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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 \$455,291 was actuarially determined to cover estimated incurred, but not reported, District health insurance claims payable at June 30, 2012. The actuarial basis used for estimating the liability for unpaid claims of the District's health plan was the development method. Under the development method, the historical claims data was recorded by incurred month and paid month. The resulting loss development pattern (as claims mature) was used to estimate the future development of existing claims as of the valuation (accounting) date on June 30, 2012. It reflects that practically all claim payments are made within 11 months after the close of the incurred month (12 months of development). This past year, the payments made after 11 months actually represent a credit or recovery. 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 and to provide a margin for experience less favorable than expected. The paid claims data has not been adjusted for any excess recoveries, which would otherwise tend to overstate the IBNR reserves. In this instance, the effect is not significant and adds a slight amount of conservatism.

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:

Fiscal Year	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2010-11	\$ 259,213	\$ 3,270,865	\$ (3,307,869)	\$ 222,209
2011-12	222,209	3,889,232	(3,656,150)	455,291

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

17. PUBLIC ENTITY RISK POOL

The following is a summary of financial information as reported in the enterprise funds for the 2011-12 fiscal year:

➤ Description of the Fund

The PAEC-RMC, a public entity risk pool, was organized in 1981 to provide a program of property and casualty insurance coverage for its member school districts. The PAEC-RMC members currently include 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.

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

➤ **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 exceed the loss fund. For the year ended June 30, 2012, the risk pool established a loss fund of \$4,000,000, assessed premiums to fund \$3,400,000 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, 2012, in the amount of \$4,175,549.98. The amount of \$268,024.00 of excess insurance recoverable on unpaid claims was deducted from the liability for unpaid claims at June 30, 2012.
- 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 2010-11 and 2011-12 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:

	Reconciliation of Claims Liability	
	2010-11	2011-12
Estimated Unpaid Claims Liability at Beginning of Year	\$ 5,249,755	\$ 5,099,169
Incurring Claims and Claims Adjustment Expenses:		
Provisions for Insured Events of the Current Year	3,560,000	2,565,000
Decrease in Provision for Events in Prior Years	(722,385)	(129,005)
Total Insurance Claims Expenses	2,837,615	2,435,995
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of the Current Year	1,296,931	760,830
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	1,691,270	1,854,030
Total Insurance Claims Payable	2,988,201	2,614,860
Estimated Unpaid Claims Liability at End of Year	\$ 5,099,169	\$ 4,920,304

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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, 2012**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 126,887.00	\$ 122,704.46	\$ 122,704.46	\$
Federal Through State and Local	4,201.29	70,750.60	70,750.60	
State	22,524,130.20	21,334,654.16	21,334,654.16	
Local:				
Property Taxes	5,790,190.00	5,840,052.68	5,840,052.68	
Miscellaneous	1,172,437.65	1,671,419.80	1,671,419.80	
Total Local Revenues	6,962,627.65	7,511,472.48	7,511,472.48	
Total Revenues	29,617,846.14	29,039,581.70	29,039,581.70	
Expenditures				
Current - Education:				
Instruction	24,370,767.23	23,365,456.22	17,046,414.56	6,319,041.66
Pupil Personnel Services	1,117,057.52	1,050,857.51	959,150.89	91,706.62
Instructional Media Services	555,321.19	578,685.38	475,190.63	103,494.75
Instruction and Curriculum Development Services	263,147.34	265,134.84	261,301.52	3,833.32
Instructional Staff Training Services	263,830.13	252,223.04	197,815.84	54,407.20
Instruction Related Technology	639,746.97	639,957.54	477,073.95	162,883.59
School Board	412,727.00	405,110.74	404,088.00	1,022.74
General Administration	302,184.37	323,569.99	285,490.33	38,079.66
School Administration	2,496,266.67	2,754,697.25	2,668,358.14	86,339.11
Facilities Acquisition and Construction	54,201.19	3,395.88		3,395.88
Fiscal Services	603,623.18	586,567.08	573,643.45	12,923.63
Food Services	6,843.00	6,380.13		
Central Services	229,576.85	234,438.77	197,840.27	36,598.50
Pupil Transportation Services	2,609,059.72	2,524,810.70	2,240,239.26	284,571.44
Operation of Plant	2,155,349.18	2,448,148.67	2,384,263.24	63,885.43
Maintenance of Plant	1,383,765.56	1,194,772.52	805,952.42	388,820.10
Administrative Technology Services	166,434.88	205,887.61	204,478.44	1,409.17
Community Services	81,202.34	147,812.20	84,030.44	63,781.76
Fixed Capital Outlay:				
Facilities Acquisition and Construction		40,816.49	40,816.49	
Other Capital Outlay		130,432.74	130,432.74	
Total Expenditures	37,711,104.32	37,159,155.30	29,442,960.74	7,716,194.56
Excess (Deficiency) of Revenues Over Expenditures	(8,093,258.18)	(8,119,573.60)	(403,379.04)	7,716,194.56
Other Financing Sources (Uses)				
Transfers In	592,437.08	406,680.08	406,680.08	
Insurance Loss Recoveries		869.69	869.69	
Transfers Out	(95,000.00)	(465,838.16)	(465,838.16)	
Total Other Financing Sources (Uses)	497,437.08	(58,288.39)	(58,288.39)	
Net Change in Fund Balances	(7,595,821.10)	(8,177,861.99)	(461,667.43)	7,716,194.56
Fund Balances, Beginning	12,268,230.19	12,268,230.19	12,268,230.19	
Fund Balances, Ending	\$ 4,672,409.09	\$ 4,090,368.20	\$ 11,806,562.76	\$ 7,716,194.56

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$	\$	\$	\$	\$	\$	\$	\$
3,258,982.90	1,204,363.53	1,204,363.53		50,910.82	270,035.39	270,035.39	
369,833.38	4,336,432.74	4,336,432.74					
	371,744.57	371,744.57					
	84.94	84.94					
	84.94	84.94					
3,628,816.28	5,912,625.78	5,912,625.78		50,910.82	270,035.39	270,035.39	
1,356,176.94	3,283,981.46	2,203,045.85	1,080,935.61	37,750.82	144,119.68	65,776.10	78,343.58
1,154,397.36	1,519,929.35	1,295,576.32	224,353.03		797.00	797.00	
					9,699.00	9,699.00	
103,208.53	160,439.76	67,433.27	93,006.49				
497,747.97	977,886.64	420,268.40	557,618.24	9,650.67	116,494.00	87,130.72	29,363.28
85,276.63	149,219.49	80,833.52	68,385.97	3,509.33	9,714.60	3,168.06	6,546.54
					42,715.95	5,117.92	37,598.03
62,175.47	63,535.47		63,535.47				
	13,655.40	4,871.73	8,783.67				
	750.00		750.00				
369,833.38	1,553,661.91	1,505,280.89	48,381.02				
	335,315.80	335,315.80			98,346.59	98,346.59	
3,628,816.28	8,058,375.28	5,912,625.78	2,145,749.50	50,910.82	421,886.82	270,035.39	151,851.43
	(2,145,749.50)		2,145,749.50		(151,851.43)		151,851.43
	(2,145,749.50)		2,145,749.50		(151,851.43)		151,851.43
\$ 0.00	\$ (2,145,749.50)	\$ 0.00	\$ 2,145,749.50	\$ 0.00	\$ (151,851.43)	\$ 0.00	\$ 151,851.43

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

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

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

WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION - PANHANDLE AREA EDUCATIONAL CONSORTIUM -
RISK MANAGEMENT CONSORTIUM PROPERTY/CASUALTY PROGRAM
For the Fiscal Year Ended June 30, 2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net Earned Required Contribution and Investment Revenues:										
Earned	\$ 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	\$ 7,572,018
Excess Insured	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	4,175,550
Total Net Earned Required Contribution and Investment Revenues	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	3,396,468
Unallocated Expenses	745,505	885,424	936,129	939,537	1,037,647	1,090,175	1,551,016	1,192,285	1,094,811	933,147
Estimated Incurred Claims and Expense, End of Policy Year:										
Incurred	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	2,565,000
Excess Insured	125,518	490,083	301,207	167,359	112,240	200,000	26,000			
Total Estimated Incurred Claims and Expense, End of Policy Year	2,809,541	2,687,219	2,685,358	3,177,225	2,564,592	3,430,953	3,319,898	2,517,852	3,560,000	2,565,000
Net Paid (Cumulative) as of:										
End of Policy Year	727,105	801,593	748,451	957,894	688,723	948,829	949,419	641,794	1,296,831	760,830
One Year Later	1,301,917	1,652,454	1,476,847	1,840,666	1,678,444	2,171,636	1,865,986	1,405,091	2,553,970	
Two Years Later	1,595,379	1,917,839	1,789,931	2,623,062	2,180,460	2,498,780	2,351,378	1,821,551		
Three Years Later	1,932,288	2,216,871	2,301,343	2,810,264	2,319,831	2,533,577	2,436,759			
Four Years Later	2,052,405	2,320,070	2,314,401	2,927,564	2,422,083	2,543,417				
Five Years Later	2,031,906	2,384,102	2,333,832	2,977,784	2,439,511					
Six Years Later	2,104,148	2,399,667	2,341,139	2,947,810						
Seven Years Later	2,108,686	2,413,252								
Eight Years Later	2,136,384	2,428,229								
Nine Years Later										
Reestimated Excess Insured Claims and Expense	17,293	541,120	737,674	392,018	555,187	344,458	216,416	0	767,007	0
Reestimated Net Incurred Claims and Expense:										
End of Policy Year	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	2,565,000
One Year Later	2,207,979	2,812,113	2,507,011	3,265,226	3,063,890	3,510,583	3,056,882	2,470,000	3,895,000	
Two Years Later	2,123,938	2,938,031	2,569,324	3,546,669	2,769,356	3,066,976	2,915,145	2,416,504		
Three Years Later	2,478,455	2,755,415	2,676,184	3,213,761	2,737,164	2,835,710	2,800,145			
Four Years Later	2,259,054	2,504,088	2,488,072	3,238,651	2,621,352	2,695,711				
Five Years Later	2,126,181	2,558,025	2,518,287	3,124,564	2,580,594					
Six Years Later	2,246,241	2,546,591	2,453,720							
Seven Years Later	2,226,479	2,519,838								
Eight Years Later	2,198,454	2,509,838								
Nine Years Later	2,136,384									
Increase (Decrease) in Estimated Incurred Claims and Expense from End of Policy Year	(673,157)	(177,381)	(241,638)	(96,393)	16,002	(735,242)	(519,753)	(101,348)	335,000	0

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

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, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Chipola Regional Workforce Development Board, Inc.:				
Supplemental Nutrition Assistance Program	10.551	None	\$ 37,546.93	\$
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	116,037.69	
National School Lunch Program	10.555	300, 350	332,358.08	
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	321	184,167.45	
National School Lunch Program	10.555 (2)(A)	300, 350	670,586.13	
Total Child Nutrition Cluster			1,303,149.35	
Total United States Department of Agriculture			1,340,696.28	
United States Department of Labor:				
Indirect:				
Chipola Regional Workforce Development Board, Inc.:				
WIA Cluster:				
WIA Adult Program	17.258	None	246,384.35	
WIA Youth Activities	17.259	None	142,515.01	
WIA Dislocated Workers	17.260	None	197,130.10	
Total WIA Cluster			586,029.46	
Employment Service Cluster:				
Employment Service/Wagner-Peyser Funded Activities	17.207	None	10,052.03	
Disabled Veterans' Outreach Program (DVOP)	17.801	None	914.21	
Local Veterans' Employment Representative Program	17.804	None	1,872.20	
Total Employment Service Cluster			12,838.44	
Unemployment Insurance	17.225	None	37,035.53	
The Agricultural and Labor Program, Inc.:				
National Farmworker Jobs Program	17.264	None	75,599.48	144.00
Total United States Department of Labor			711,502.91	144.00
United States General Services Administration:				
Indirect:				
Florida Department of Management Services:				
Donation of Federal Surplus Personal Property	39.003 (2)(B)	None	175.77	
National Science Foundation:				
Indirect:				
Florida State University:				
Education and Human Resources	47.076	None	1,191.50	
United States Department of Energy:				
Indirect:				
University of Central Florida:				
ARRA - State Energy Program	81.041 (2)(C)	None	110,883.02	
United States Department of Education:				
Direct:				
Federal Pell Grant Program	84.063	N/A	1,204,363.53	
Fund for the Improvement of Education	84.215	N/A	1,614.76	
Total Direct			1,205,978.29	
Indirect:				
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	1,905,622.95	1,900.79
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	226	20,683.13	
Total Title I, Part A Cluster			1,926,306.08	1,900.79
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	1,792,335.89	50,188.15
Special Education - Preschool Grants	84.173	266, 267	284,729.18	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	2,898.62	
Putnam County District School Board:				
Special Education - Grants to States	84.027	None	12,454.34	
University of South Florida:				
Special Education - Grants to States	84.027	None	12,509.88	
Total Special Education Cluster			2,104,927.91	50,188.15
Education for Homeless Children and Youth Cluster:				
Florida Department of Education:				
Education for Homeless Children and Youth	84.196	127	168,980.79	2,112.91
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	181.70	
Total Education for Homeless Children and Youth Cluster			169,162.49	2,112.91

WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Education (Continued):				
Indirect (Continued):				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	\$ 231,567.05	\$
Migrant Education - State Grant Program	84.011	217	1,639,543.01	178,500.00
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	216	226,273.62	
Career and Technical Education - Basic Grants to States	84.048	161	218,173.35	
Rural Education	84.358	110	23,399.35	
Voluntary Public School Choice	84.361	299	1,184,519.43	1,075,692.22
Improving Teacher Quality State Grants	84.367	224	289,653.66	
Striving Readers	84.371	503	26,261.54	3,751.37
ARRA - Statewide Data Systems, Recovery Act	84.384	101	113,431.23	
ARRA - Education Technology State Grants, Recovery Act	84.386	121, 122	162,909.81	35,040.84
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RA311, RD211, RL111, RS411	2,097,291.78	1,066,365.08
ARRA - State Fiscal Stabilization Fund (SFSF) - Governmental Services, Recovery Act	84.397	592	411.00	
Education Jobs Fund	84.410	541	10,496.00	
University of North Carolina:				
Even Start - Migrant Education	84.214	None	1,171.54	
Florida Gulf Coast University:				
Transition to Teaching	84.350	None	5,712.39	
Florida State University:				
Mathematics and Science Partnerships	84.366	None	143,370.27	73,716.05
Gulf Coast State College:				
Improving Teacher Quality State Grants	84.367	None	108,139.66	
University of Tampa:				
Improving Teacher Quality State Grants	84.367	None	9,268.66	
Public Counseling Group:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	None	26,341.93	207.99
Total Indirect			10,718,331.76	2,487,475.40
Total United States Department of Education			11,924,310.05	2,487,475.40
United States Department of Health and Human Services:				
Indirect:				
Florida Department of Health:				
Injury Prevention and Control Research and State and Community Based Programs	93.136	None	79,623.44	54,312.52
University of South Florida:				
Teenage Pregnancy Prevention Program	93.297	None	1,000.00	
Chipola Regional Workforce Development Board, Inc.:	93.558	None	206,538.21	
Florida Healthy Kids Corporation:				
Children's Health Insurance Program	93.767	None	1,011.51	
Total United States Department of Health and Human Services			288,173.16	54,312.52
United States Department of Defense:				
Direct:				
Amy Junior Reserve Officers Training Corps	None	N/A	122,704.46	
Total Expenditures of Federal Awards			\$ 14,499,637.15	\$ 2,541,931.92

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

(2) Noncash Assistance:

(A) National School Lunch Program - Includes \$99,190.57 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.

(C) ARRA - State Energy Program - Includes \$110,883.02 representing the Federally-paid portion of solar panels and related site preparation and installation costs.



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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, 2012, 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 includes 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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 a 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. We consider the deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding No. 1 to be a material weakness.

Compliance and Other Matters

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

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

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

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS** is 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 7, 2013



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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 *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, 2012. 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, 2012. However, the results of our auditing procedures also disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1 and 2.

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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1 and 2. 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.

Restricted Purpose Relating to Testing of Internal Control Over Compliance

The purpose of the provisions of this report addressing internal control over compliance is solely to describe the scope of our testing of internal control over compliance with the requirements that could have a direct and material effect on a major Federal program, and the results of that testing, and not to provide an opinion on the effectiveness of internal control over compliance. These provisions of our report are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Circular A-133 in considering the entity's internal control over compliance. Accordingly, these provisions of our report are not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
February 7, 2013

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be 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:	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555); State Energy Program (CFDA No. 81.041 - ARRA); Migrant Education – State Grant Program (CFDA No. 84.011); Federal Pell Grant Program (CFDA No. 84.063); Education for Homeless Children and Youth Cluster (CFDA Nos. 84.196 and 84.387 – ARRA); Voluntary Public School Choice (CFDA No. 84.361); Improving Teacher Quality State Grants (CFDA No. 84.367); and Race-to-the-Top Incentive Grants (CFDA No. 84.395 – ARRA)
Dollar threshold used to distinguish between Type A and Type B programs:	\$434,989
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, 2012**

FINANCIAL STATEMENT FINDING

MATERIAL WEAKNESS

Finding No. 1: Financial Reporting

State Board of Education (SBE) Rule 6A-1.0071, Florida Administrative Code (FAC), and related instructions from the Florida Department of Education (FDOE) prescribe the exhibits and schedules that should be prepared as part of the District's annual financial report (AFR). Law and rules require that these exhibits and schedules be prepared in accordance with generally accepted accounting principles (GAAP). One of the principal methods that a school district uses to provide accountability for its public resources is the preparation of its AFR. As such, District personnel should ensure that the report is accurate and contains all required disclosures so that users, such as the Board, Superintendent, District management, and other interested parties, can appropriately evaluate, among other things, District operations, budgetary compliance, and financial condition.

Our review of the District's 2011-12 fiscal year AFR, as submitted to the Florida Department of Education and presented for audit, disclosed that financial reporting procedures could be improved. Specifically, we noted the following errors:

- The District is fiscal agent for the Panhandle Area Educational Consortium (PAEC) – Risk Management Consortium (RMC) Property/Casualty Program (Program). As fiscal agent, the District purchased insurance coverage for individual claims in claim years that exceeded predetermined amounts for specific or aggregate losses and, when losses exceed the predetermined amounts, excess insurers are responsible for reimbursing the Program for insurance claim payments above the established limits.

The District reported on its annual financial report an amount for Due From Excess Insurer based on the PAEC's specific excess reports; however, because the reports were in a different format from previous fiscal years, District personnel did not appropriately consider and reduce the amount of Due From Excess Insurer by unrecoverable amounts identified in the 2011-12 fiscal year report. Subsequent to our inquiries, District personnel provided additional specific excess reports for the 2010-11 fiscal year in the new format, which disclosed unrecoverable amounts Due From Excess Insurer at June 30, 2011. As a result, the District overstated beginning net assets and Due From Excess Insurer by \$920,000 and \$1,040,000, respectively, and understated insurance claims expense by \$120,000 in the PAEC - Risk Management Property/Casualty Fund and related amounts on the Statement of Net Assets and Statement of Activities.

- District procedures did not identify and report all Federal grant payables at year-end, resulting in underreporting expenditures and payables totaling \$106,000 each in the PAEC – Programs Other than Risk Management – Federal Economic Stimulus Fund. In addition, as Federal grant revenue must be recognized to the extent that eligible expenditures are incurred and reported, receivables and revenue were also underreported by those amounts.

Reporting errors such as these may cause financial statement users to incorrectly assess the PAEC property/casualty and Federal activity, and the PAEC's financial position. We extended our audit procedures to determine the adjustments necessary to properly report account balances and transactions for the PAEC on the District's financial

statements, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management's responsibility to implement controls over financial reporting.

Recommendation: The District should improve its financial reporting procedures to ensure that financial statement account balances and transactions of the PAEC are properly reported.

ADDITIONAL MATTERS

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)4.b., Florida Statutes, provides that, for instructional personnel, the Board must provide differentiated pay based upon district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

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

The 2011-12 fiscal year salary schedule and union contract for instructional personnel provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. The instructional personnel salary schedule and union contract provided salary supplements for additional responsibilities beyond the standard workday, such as supplements for coaching athletic activities, band and choral directors, peer teachers, and supervising student clubs. However, neither the salary schedule nor the union contract evidenced consideration of differentiated pay based on school demographics, level of job performance difficulties, or critical shortage areas for instructional personnel, contrary to Section 1012.22(1)(c)4.b., Florida Statutes.

Without a Board-established documented process for identifying the basis for the differentiated pay, the District may be limited in its ability to demonstrate that differentiated pay factors are consistently considered and applied. Similar findings were noted in our report Nos. 2011-144 and 2012-154.

Recommendation: The Board should establish a documented process for ensuring that differentiated pay of instructional personnel is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 3: Food Service Sales

For the 2011-12 fiscal year, the District reported local food service revenues totaling \$468,000, of which \$214,000 represented food service revenues for a lunchroom shared by Roulhac Middle School and Chipley High School. While controls over food service revenues were generally adequate, we noted certain deficiencies over the shared lunchroom food service sales as follows:

- District personnel at the lunchroom provided meals to a private school, and maintained a spreadsheet for most of the school year that documented the number of meals ordered by, and moneys collected from, the school. However, District records did not evidence an agreement to authorize sales to the school and procedures such as inventory controls or the use of receipting devices were not in place to evidence the reasonableness of recorded sales to the school. Through additional procedures, we confirmed with the school that there were \$19,200 in food service sales and traced the collections to bank deposit.
- District procedures at the lunchroom did not provide for timely follow-up and resolution of variances between recorded food service sales and collections. Daily variances for the 2011-12 fiscal year ranged from a shortage of \$180 to an overage of \$8, or a total net shortage of \$1,350.

Without a food service sales agreement with the private school, inventory controls or receipting devices to account for food service sales to the school, or timely follow-up and resolution of recorded food service sales and collections variances, the risk increases that errors or fraud could occur without timely detection.

Recommendation: The District should enhance its controls over food service sales to provide for Board-approved food service sales agreements with private schools, inventory controls or receipting devices to account for food service sales to other entities, and timely follow-up and resolution of recorded food service sales and collections variances.

Finding No. 4: Contractual Services

The District is required, pursuant to SBE Rule 6A-1.012, FAC, to request bids or proposals from three or more sources for any authorized purchase or contract for services exceeding \$50,000. Further SBE Rule 6A-1.012(11)(a), FAC, exempts contracts for services from the competitive solicitation process for certain professional services, such as legal services, and for sole source purchases. For sole source purchases pursuant to SBE Rule 6A-1.012(12)(d), FAC, the District must publicly post a description of the purchase sought for a period of at least seven business days, and document that the purchase is available only from a sole source.

The Board routinely enters into contracts for services, and internal controls have been designed and implemented to ensure payments are generally consistent with contract terms and conditions. To determine the propriety of payments for contractual services, we tested 30 payments totaling \$1.1 million for 19 contracts and noted controls could be enhanced, as follows:

- In June 2005, the Board, in connection with the District's duties as fiscal agent for the PAEC, approved a bid award and contract to a company to perform comprehensive safety inspections and prepare inspection documents required by the FDOE's *State Requirements of Educational Facilities - 2007* for schools as a service to the PAEC and member districts. The contract provided that the company would be paid \$0.0065 per square foot of facilities inspected. In July 2011, the Board entered into a new contract with the company that provided for the company to be paid \$0.0075 per square foot of the facilities inspected and, for the 2011-12 fiscal year, the District paid the company \$70,465.45. However, the Board contracted for these services without competitively bidding the services, contrary to SBE Rule 6A-1.012, FAC. Absent competitive bids, District records did not demonstrate that the services were obtained at the lowest and best price consistent with desired quality.
- In January 2007, the Board approved a bid award and contract to a company for janitorial services such as daily cleanings of classroom and administrative areas, trash removal, and a full-time day custodian for each school. The contract was from January 2007 to May 2010 but allowed for renewals to extend services through May 2012, and provided for an annual cost of \$556,314.12 and negotiable price adjustments for changes in the cleanable areas. In March 2012, the Board renewed the contract through July 1, 2013, and, for the 2011-12 fiscal year, the District paid the company \$629,552.68. However, the contract renewal extended services beyond the original contract terms and the Board did not competitively bid the services, contrary to

SBE Rule 6A-1.012, FAC. Absent competitive bids, District records did not demonstrate that the services were obtained at the lowest and best price consistent with desired quality.

Our tests of four payments totaling \$153,615.65 to the company disclosed three payments totaling \$11,253.92 for additional cleaning services not specified in the contract; however, District records did not evidence the basis upon which the additional cleaning service costs were negotiated and approved or that District personnel confirmed receipt of the services prior to payment. Upon our inquiry, District personnel who made requests for the additional cleaning services confirmed receipt of the services but were unaware of the additional service costs. Subsequent to our inquiry in July 2012, the District developed a process to ensure documented approval of additional cleaning services before receipt of the services. Without preapproval of costs and records to evidence receipt of the services prior to payment, there is an increased risk of overpayment.

- In June 2011, the Board, in connection with the District's duties as fiscal agent for the PAEC, approved a contract to obtain consulting and technical services for exceptional student education departments in certain Florida counties at monthly rates of \$4,402 for 11 months with a final payment of \$4,408 at June 30, 2012 (total payments of \$52,830). However, the Board contracted for these services without competitively bidding the services, contrary to SBE Rule 6A-1.012, FAC. District personnel indicated that these services were exempt from the bid requirements because the contract was for legal services pursuant to SBE Rule 6A-1.012(11)(a), FAC. However, the contract was for consulting and technical services, not legal services. Absent competitive bids, District records did not demonstrate that the services were obtained at the lowest and best price consistent with desired quality.
- At its July 11, 2011, Board meeting, the Board approved a contract with a company to provide hardware, software, and support services relating to a biometric attendance system to monitor student attendance. The contract did not define the financial terms of the contract; however, pursuant to a purchase order, the company was paid \$73,533 for hardware and installation and \$32,524 for software and support services for the period July 2011 through June 2012.

District records indicated that the company was a sole source provider and District personnel indicated that, on July 11, 2011, they documented the sole source information on the Board agenda for the Board meeting. However, by documenting the sole source information on the same date the Board approved the contract, the District did not publicly describe the sole provider purchase sought for the minimum seven business days, contrary to SBE Rule 6A-1.012(12)(d), FAC. Without procedures to ensure compliance with requirements related to sole source vendor purchases, there is an increased risk that services will not be acquired at the lowest and best price consistent with desired quality.

Because of difficulty implementing the attendance system, the Board suspended the contract effective November 2011, and subsequently canceled the contract in June 2012. The District retained ownership of the hardware and the company retained ownership of the software; however, District records did not evidence the basis upon which the District paid software and support service costs of \$21,683 for the period November 2011 through June 2012 (8 of 12 months' service times annual software and support costs of \$32,524), given the Board's suspension of the contract effective November 2011. District personnel indicated that they contacted the company to obtain reimbursement for unused software and support services, but no reimbursements had been obtained as of December 2012.

- In December 2011, pursuant to Section 1006.12, Florida Statutes, the Board approved a contract, retroactive to August 2011 for the 2011-12 school year, for the Sheriff to provide four full-time school resource officers (SROs) for semiannual installments of \$71,290.94 (totaling \$142,581.88 for the 2011-12 fiscal year). The contract provided that the SRO services and related service times at the schools would be mutually agreed upon by the District and the SROs; however, District records did not evidence the agreed upon services and related service times. Also, the District did not maintain records, such as sign-in, sign-out sheets, to evidence that District personnel with direct knowledge of the SRO services confirmed receipt of the services. Subsequent to our inquiries in July 2012, school administrators confirmed receipt of the services for the 2011-12 school year.

District personnel indicated that untimely approval of the SRO contract was an oversight and District Office personnel relied on the school administrators to monitor SRO services. Without an established understanding of SRO services and related service times and records to confirm receipt of SRO services, the risk increases that the services may not be consistent with Board intent or overpayments may occur.

Recommendation: The District should enhance its procedures to ensure that the Board preapproves contractual services pursuant to competitive bids as required, services are received before payments are made, and purchases from sole source providers are timely and appropriately documented. The District should also continue its efforts to recover any overpayments, as appropriate, from the company that provided the biometric attendance system.

Finding No. 5: Energy Savings Contract

Section 1013.23, Florida Statutes, provides that the Board may contract with a qualified energy performance contractor to significantly reduce energy or operating costs through the implementation of one or more energy conservation measures. Section 1013.23(3)(b), Florida Statutes, requires the District to undergo a selection process, pursuant to Section 287.055, Florida Statutes, by soliciting and ranking no less than three energy performance contractors prior to entering into an energy savings contract. Section 1013.23(3)(c), Florida Statutes, requires that the District provide published notice of the meeting in which it proposes to award the energy performance contract, the names of the parties to the proposed contract, and the contract's purpose. Section 1013.23(3)(d), Florida Statutes, requires that the District obtain from the energy performance contractor a report that discloses all costs associated with the energy conservation measures and provides an estimate of the amount of the energy cost savings. The report must be reviewed by the FDOE, Florida Department of Management Services, or be signed and sealed by a registered professional engineer.

Section 1013.23(3)(e), Florida Statutes, provides that the Board may enter into such a contract if, after review of the report required in Section 1013.23(3)(d), Florida Statutes, the District finds that the amount it would spend on the energy conservation measures recommended in the report will not exceed the amount to be saved in energy and operating costs over 20 years from the date of installation, if the recommendations in the report were followed and if the contractor provides a written guarantee that the energy or operating costs will meet or exceed the costs of the system. Section 1013.23(3)(e), Florida Statutes, also requires that the energy performance contract provide an annual energy or operating costs savings that will meet or exceed the amortized cost of the energy conservation measures and guaranty the energy savings.

The Board entered into a 12-year guaranteed energy performance contract in February 2012 for certain equipment and facility upgrades, and a wireless energy management system, at the Washington-Holmes Technical Center (WHTC). We noted control deficiencies over the energy performance contracting process, and noncompliance with statutory requirements, as follows:

- Prior to entering the contract, the District only advertised the request for quotes (RFQ) for the energy saving contract in a local newspaper for two weeks prior to the RFQ opening. Further, the only quote received was from the energy performance contractor that was awarded the contract and who provided an energy savings presentation at a Board workshop in July 2011, approximately one month prior to the District advertising the RFQ. As such, District records did not evidence sufficient efforts to solicit and rank no less than three energy performance contractors prior to entering into the energy savings contract, contrary to Sections 1013.23(3)(b) and 287.055, Florida Statutes.
- The agenda for the February 2012 Board meeting was displayed on the District's Web site and on the door of the administration building, and advertised in the local media; however, the agenda only identified a contract at WHTC and did not describe the contract purpose, contrary to Section 1013.23(3)(c), Florida Statutes.

- The Board-approved energy savings contract, unsigned and in the supplemental Board minute files, differed in certain instances from the contract signed by the Board Chair, Superintendent, and two energy performance contractor representatives. The Board-approved contract projected total savings of \$2,138,777 based on annual savings of \$119,314 in energy cost savings, \$30,548 in maintenance savings, and 3 percent interest on the guaranteed savings. This contract projected total program costs over the 12 year period of \$2,063,371. While the signed contract projected annual energy savings costs for the same amount as the Board-approved contract, the signed contract projected maintenance savings of \$30,000 annually to calendar year 2013, increasing to \$35,500 in calendar year 2014 and thereafter, and did not project a guaranteed savings. Further, the signed contract only projected the program costs for 12 years totaling \$1,806,000 less a rebate of \$69,788.

District personnel indicated that they were unaware that the differences existed, and indicated that the energy savings guarantees would be no less than the savings established in the Board-approved contract. The energy performance contractor representative also confirmed that the Board-approved contract was the correct version of the contract, even though it was unsigned. However, given the conflicting information in the two contracts, District records did not clearly evidence the basis upon which the District would monitor energy savings over the term of the contract.

- A registered professional engineer reviewed the projected cost savings report provided by the energy savings contractor and noted that projected cost savings were greatly overstated, the quality of the equipment was not well-defined, and the cost of the construction appeared high. District personnel indicated that a copy of the engineer's review was provided to the energy performance contractor; however, District records did not evidence any efforts to resolve the engineer's concerns and the engineer's review was dated two weeks after Board approval of the contract, contrary to Section 1013.23(3)(d), Florida Statutes.
- The contract indicated that the energy cost savings guarantee was based on a predetermined base rate and the projected maintenance cost savings would not be measured annually but was agreed upon by the District. While District personnel provided estimates of maintenance savings over the contract term, District records did not evidence the basis upon which the District obtained assurance that it would be guaranteed the maintenance cost savings as required by Section 1013.23(3)(e), Florida Statutes.

Absent appropriate and sufficient controls over energy savings performance contracts, the risk increases that the contracted services may not be obtained at the lowest and best price consistent with desired quality, the public may not be timely informed of the contract purpose and not provide timely input regarding the contracting process, energy cost savings projections may be inaccurate, and disputes may arise regarding the basis upon which energy cost savings guarantees are measured and achieved.

Recommendation: For future energy savings contracts, the District should enhance its procedures to ensure appropriate and sufficient controls over the energy savings performance contracting process. Such controls should ensure energy performance contractor services are obtained at the lowest and best price consistent with desired quality by providing interested contractors sufficient opportunity to participate in the competitive selection process, the public is timely notified of the purpose for such contracts, timely receipt and consideration of professional engineer reviews of energy cost savings projections before contracts are entered, and contracts clearly establish the basis upon which cost savings guarantees are measured.

Finding No. 6: Excess Insurance Premiums Expense

The District is fiscal agent for the PAEC – RMC Health, which administers the Employee Group Health Insurance Program (Program). 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 the respective districts and, accordingly, the insurance risks are not transferred. Each individually-funded plan within the Program purchased excess insurance providing that, when individual claims for a certain claim year exceeded the

predetermined amount for specific losses, the excess insurance carrier would reimburse the individually-funded plan for claims payments above the established limits.

For the 2011-12 fiscal year, the districts participating in the Program included Calhoun County and Washington County District School Boards. As part of the District's duties as fiscal agent for the Program, District personnel calculated monthly excess insurance premiums based on monthly medical insurance participation reports provided by the participating districts, and made payments for excess insurance premiums totaling \$271,061 for Calhoun County District School Board and \$640,137 for Washington County District School Board. While our tests of excess insurance premiums for Calhoun County District School Board indicated amounts were properly calculated and paid, our tests of all Washington County District School Board excess insurance premiums disclosed overpayments totaling \$57,753 to the excess insurance carrier.

District personnel indicated that the monthly medical insurance participation reports separately identified the number of family and single insurance plans; however, because new District personnel were unaccustomed to calculating the premiums and misunderstood the reports, the personnel combined the number of family and single plans, overreported the number of single insurance plans, and made overpayments to the excess insurance carrier. Further, District procedures did not provide for appropriate supervisory review and approval of the excess insurance premium calculations and related payments. Subsequent to our inquiries, District personnel reduced the excess insurance carrier December 2012 payment by \$50,532, and indicated they will reduce the January 2013 payment for the remaining portion of the overpayment. Without appropriate and sufficient controls over excess insurance premium payments, the risk increases for overpayments to occur without timely detection.

Recommendation: The District should enhance controls over the PAEC – RMC – Health Program's excess insurance premium payments to ensure payments are properly calculated, supported, reviewed, and approved.

Finding No. 7: Student Fees

Pursuant to Section 1007.271, Florida Statutes, a dual enrollment program allows eligible students to receive credit toward high school completion and a career certificate or associate or baccalaureate degree. Section 1009.25, Florida Statutes, provides that students enrolled in dual enrollment programs are exempt from tuition and fee payments, including lab fees, and should receive instructional materials for dual enrollment courses free of charge.

During the 2011-12 fiscal year, the District offered dual enrollment programs at the WHTC; however, contrary to Section 1009.25, Florida Statutes, students dual enrolled in the welding and cosmetology programs were assessed \$25 in lab fees per semester and the cosmetology program students were assessed \$81 for a workbook fee and \$32.50 for a mannequin head. WHTC personnel indicated that \$2,160 in lab fees and supply costs were collected for these two programs. WHTC personnel indicated that while these fees were assessed to students, students with unpaid fees were not removed from the program and the lab fees were to recover some of the consumable supply costs of the more expensive programs. Assessing dual enrolled students lab fees and supply costs, contrary to law, may reduce the number of students participating in dual enrollment programs.

Recommendation: The District should enhance its procedures to ensure dual enrollment program students are exempt from payments of tuition and fees, and receive dual enrollment program instructional materials free of charge. In addition, the District should reimburse dual enrollment program students for any fees collected.

Finding No. 8: Information Technology - Security Incident Response Plan

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

District records did not evidence any efforts to develop a security incident response plan. Should an event occur that involves the potential or actual compromise, loss, or destruction of District data or 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. A similar finding was noted in our report No. 2012-154.

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

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

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to data loss prevention and management of access privileges that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues.

Without adequate security controls related to data loss prevention and management of access privileges, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings related to management of access privileges were communicated to District management in connection with our report Nos. 2011-144 and 2012-154.

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 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

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. Federal pass-through entities are responsible, in part, for monitoring subrecipient activities to obtain reasonable assurance that subrecipients administer awards in compliance with Federal requirements.

To provide Statewide expansion and establishment of school choice parent resource centers, the FDOE awarded two voluntary public school choice grants to the District, as fiscal agent for the PAEC, and the District reported expenditures from the grants totaling \$1,184,519.43 with the majority of these expenditures passed-through to a nonprofit corporation. District personnel indicated that they periodically met with the FDOE personnel as the FDOE was responsible for the preauditing costs of the grant awards and that District personnel regularly corresponded with the 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 corporation. While the grant awards indicated that the FDOE would be substantially involved to accomplish the goals of these projects, District records did not evidence the extent of this involvement to ensure that the expenditures of the corporation were allowable costs of the Federal awards.

The District had two contracts with the corporation to provide oversight services to school choice parent resource center (PRC) operations, such as providing training and development of PRC staff and volunteers, developing and improving strategic planning processes to establish and expand PRCs in communities and neighborhoods, and other services. One contract, which ended September 30, 2011, 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 corporation had expenditures totaling at least 90 percent of the previous advance, with any funds advanced in excess of expenditures refunded to the District. The other contract, which was for the period October 2011 through September 2012, 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 corporation had expenditures totaling at least 75 percent of the previous advance, with any funds advanced in excess of expenditures refunded to the District.

Our tests of five payments totaling \$1.1 million to the corporation disclosed that improvements were needed in monitoring expenditures for the two contracts. For the contract ended September 30, 2011, the District made final payment of \$103,615.95 to the corporation based on summary reports and did not initially obtain detailed payrolls or invoices to support the final payment. For the other contract, District personnel indicated that in February 2012, personnel began obtaining copies of the detailed payrolls and invoices, and other documentation to support the payments prior to payment. However, our review of the four payments totaling \$1,003,913 for this contract disclosed that, for one payment, detailed invoices totaling \$61,954.13 were not present at the time of payment. In addition, District records did not evidence that personnel reviewed and approved detailed supporting documents before payment. District personnel indicated there was a misunderstanding among District personnel of who would be responsible for reviewing detailed records to support payments to the corporation. Subsequent to our inquiries, the District obtained detailed payrolls, invoices, or other records to support tested payments to the corporation.

District personnel indicated that, in June 2012, they began reviewing detailed payrolls and invoices to support payments to the corporation. Subsequent to our inquiries in December 2012, District personnel provided a review checklist for the June 2012 payment to evidence these procedures. Given that cash advances to the corporation were generally contingent on meeting the grants' expenditure requirements, it is important that the District maintain appropriate controls to monitor the corporation's expenditures. Absent adequate subrecipient monitoring by District

personnel, the risk increases that subrecipients may not comply with Federal grant requirements and that personnel may not timely detect and implement measures to properly address such noncompliance. A similar finding was noted in our report No. 2012-154.

Recommendation: The District, as fiscal agent for the PAEC, should enhance its preaudit procedures to ensure that it receives services before payments are made, and that payments reconcile to contract terms.

District Contact Person: Lele Brock, Program Coordinator of Business Services

Federal Awards Finding No. 2:
Federal Agency: United States Department of Education
Awards Numbers: P063P102956 and P063P112956
Program: Federal Pell Grant Program (CFDA 84.063)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: None

Special Tests and Provisions – Disbursements. The Federal Student Aid Handbook allows the District to make Federal Pell Grant Program (Pell) payments for clock-hour programs to students at times and in installments to best assist them in paying their educational expenses, and the District must make disbursements before the 60 percent completion point. During the 2011-12 fiscal year, the District reported Pell grant program expenditures totaling \$1.2 million for the WHTC, and our test of 117 disbursements totaling \$157,474.61 to 40 Pell program students disclosed the following:

- For 18 of the 40 students, WHTC personnel did not make the initial Pell grant program disbursement for 20 disbursements totaling \$41,871 until the student had attended 60 percent of the hours in the payment period. WHTC personnel indicated that the funds were not held intentionally past the 60 percent point but because personnel only checked student completion records once a month, the students reached the 60 percent attendance point before they were checked.
- For 2 of the 40 students, WHTC did not make the final Pell grant program disbursements totaling \$925 prior to the student completing the payment period. Disbursements to the students were 50 to 64 days after their last day of attendance.

Students who do not receive program payments timely may be unable to pay their educational expenses.

Special Test and Provisions – Return of Pell Program Funds. Title 34, Section 668.22(a)(5)(ii)(B)(1), Code of Federal Regulations, requires the District to disburse earned but unpaid Pell grant program funds to students who withdraw prior to receiving Pell grant program funds as soon as possible. Within 14 days after the student's last date of attendance, the District must make a determination of the student's withdrawal date and the District must disburse earned but unpaid program funds to the student no later than 45 days after the District determines the student's withdrawal date.

Our test of 21 return calculations for students awarded Pell grant program funds who withdrew during the 2011-12 fiscal year disclosed that the District disbursed \$5,729.46 to 6 students who withdrew prior to receiving Pell grant program funds from 13 to 225 days after the 45 day deadline. Without timely receipt of program funds, students may be unable to pay their educational expenses.

Recommendation: The District should establish adequate procedures over the Pell program to ensure that Pell grant program disbursements are consistent with Federal requirements.

District Contact Person: Beverly Hambright, Financial Aid Officer

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2012-154. The following table provides information on the District's recurring audit findings:

Current Fiscal Year Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers	2009-10 Fiscal Year Audit Report and Finding Numbers
2	Audit Report No. 2012-154, Finding No. 2	Audit Report No. 2011-144, Finding No. 3
8	Audit Report No. 2012-154, Finding No. 6	NA
9	Audit Report No. 2012-154, Finding No. 7	Audit Report No. 2011-144, Finding No. 6
Federal Awards Finding No. 1	Audit Report No. 2012-154, Federal Awards Finding No. 1	NA

NA – Not Applicable

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*WASHINGTON COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012*

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

Audit Report No. and Federal Awards Finding No.	Program / Area	Brief Description	Status	Comments
2011-144 (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.	Corrected.	Correspondence from the grantor on March 2, 2012, indicated no further action is required for this finding. The grantor did not require repayment of questioned costs.
2011-144 (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.	Corrected.	Correspondence from the grantor on March 2, 2012, indicated no further action is required for this finding.
2012-154 (1)	Voluntary Public School Choice (CFDA No. 84.361) - Allowable Costs/Cost Principles, Subrecipient Monitoring	The District, as fiscal agent for PAEC, could enhance procedures to document allowability of costs and subrecipient monitoring.	Partially corrected.	District personnel have contacted the grantor to resolve this finding.

EXHIBIT A
MANAGEMENT'S RESPONSE



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

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

February 7, 2013

District 1
Vann Brock
1160 Whittington Road, Chipley
District 2
Wayne C. Saunders
847 Candy Lane, Chipley
District 3
Milton L. Brown
339 Mallory Road, 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: Financial Reporting

District staff has met with personnel from the Panhandle Area Educational Consortium (Consortium) and communicated the importance of obtaining accurate specific excess reports since these reports are relied upon to prepare the District's annual financial reports. Since the submission of the annual financial report, District staff has reconciled the due from excess insurer amount to the specific excess reports. Consortium staff has worked with the third party administrator to clarify any differences. Consortium staff is to review the specific excess reports on a monthly basis.

The District has requested that Consortium staff be diligent in ensuring all invoices for the fiscal year are obtained and processed in a timely manner to assist in identifying payables.

Finding No. 2: Compensation and Salary Schedules

The School Board approved a revision to the salary schedule on September 10, 2012, to include the identification of differentiated pay for instructional personnel. These revisions will be incorporated in the 2012-2013 salary schedule.

Finding No. 3: Food Service Sales

The private school is a recognized District school site in the National School Lunch Program for the 2012-13 school year. As a recognized school site, the District has control over the food service sales for the private school.

The District has established procedures to resolve sales and collections variances.

"Quality Education Today For A Better Tomorrow"

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 4: Contractual Services

The District is enhancing its procedures over contractual services. Competitive bids are being obtained when applicable to ensure the lowest and best price is received. Bid exemptions are being considered prior to executing a contract. Procedures have been implemented to request preapproval for additional cleaning services. The District has made another effort to recover overpayments for unused software and support services from the company that was to provide the biometric attendance system. The District is maintaining records to evidence services are being provided as agreed upon.

Finding No. 5: Energy Savings Contract

In the event the District enters into another energy savings contract, the District will enhance its procedures and controls over the energy savings performance contracting process.

Finding No. 6: Excess Insurance Premiums Expense

The Consortium has implemented procedures for two staff persons to review the accuracy of the invoice prior to the supervisor's review and approval of the invoice for payment. District staff reviews the calculations prior to remitting payment. The District received credit for the overpayments to the excess insurance carrier on the December and January invoices.

Finding No. 7: Student Fees

Dual enrolled students will be exempt from tuition and fees, including instructional materials. Dual enrolled students who were assessed lab fees and supply costs are in the process of being reimbursed.

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

District staff is working to develop a written security incident response plan that will ensure an appropriate, effective and timely response to security incidents.

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

The District continues to implement security controls to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Federal Awards Finding No. 1: Subrecipient Monitoring

The District, as fiscal agent for the Consortium, and the Consortium have worked closely to establish procedures to ensure appropriate controls are in place to monitor subrecipient expenditures.

Federal Awards Finding No. 2: Special Tests and Provisions – Disbursements and Return of Pell Program Funds

The attendance posting has been changed to bimonthly rather than monthly. This will allow a timely disbursement of funds before the 60 percent completion point.

The District has made accommodations to process checks for withdrawn students on an as needed basis.

I appreciate the professionalism of your staff and the assistance they provide during the course of the audit.

Sincerely,


H. Joseph Taylor
Superintendent

HJT:lcc