

WAKULLA 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>
Ray Gray, Vice Chair	1
Michael A. Scott, Chair	2
Becky Cook	3
Greg Thomas	4
Jerry Evans	5

David Miller, 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 Stellar Lee, CPA, and the audit was supervised by Karen L. Revell, 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.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: 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. 2: Controls over procurement of contractual services needed enhancement.

Finding No. 3: The District needed to strengthen its controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding No. 4: The District needed to enhance procedures to ensure timely bank account reconciliations.

Finding No. 5: The District's information technology (IT) disaster recovery plan lacked key disaster recovery control elements and had not been tested.

Finding No. 6: District IT security incident response procedures needed improvement.

Finding No. 7: District IT security controls related to data loss prevention 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 and Race-to-the-Top programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs. However, we did note a noncompliance and control deficiency finding as summarized below.

Federal Awards Finding No. 1: The District prepaid for software services prior to receipt of the services, resulting in \$41,814 of questioned costs for the Race-to-the-Top Program.

Audit Objectives and Scope

Our audit objectives were to determine whether the Wakulla 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. 2012-148.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Wakulla 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 42 percent of the assets and 75 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of Wakulla's Charter School of Arts, Science and Technology, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Wakulla 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 Wakulla 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, 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
March 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Wakulla County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2012. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-12 fiscal year are as follows:

- In total, net assets increased \$1,044,546.66, which represents a 1.3 percent increase over the 2010-11 fiscal year.
- During the current fiscal year, General Fund expenditures exceeded revenues by 776,057.69. This may be compared to last fiscal year's results in which General Fund expenditures exceeded revenues by \$161,988.66.
- The unassigned and assigned fund balances for the General Fund, representing the net current financial resources available for general appropriation by the Board, total \$4,022,520.96, or 11.8 percent of General Fund expenditures. This represents a 6.3 percent decrease from the previous fiscal year's unassigned and assigned fund balances of \$4,292,482.80.

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, this report presents certain required supplementary information (RSI), which includes management's discussion and analysis, budgetary comparison schedule, schedule of funding progress, and notes to RSI.

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 – As fiscal agent of the Small School District Council Consortium, the District charges fees to cover the cost of certain services it provides.

- Component unit – The District presents Wakulla’s Charter School of Arts, Science and Technology, Inc., as a separate legal entity in this report. Although a legally separate organization, the component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

Over a period of time, changes in the District’s net assets are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the District’s property tax base, student enrollment, and the condition of the District’s capital assets including its school buildings and administrative facilities.

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 – Federal Economic Stimulus Fund, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Other 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. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the activities of the Small School District Council Consortium, for which the District is fiscal agent.

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	\$ 9,599,276.40	\$ 9,454,644.37	\$ 37,277.50	\$ 37,879.30	\$ 9,636,553.90	\$ 9,492,523.67
Capital Assets	79,413,844.24	78,073,855.83			79,413,844.24	78,073,855.83
Total Assets	89,013,120.64	87,528,500.20	37,277.50	37,879.30	89,050,398.14	87,566,379.50
Long-Term Liabilities	6,928,769.98	7,425,996.79			6,928,769.98	7,425,996.79
Other Liabilities	1,266,208.94	338,068.55	14,558.40	6,000.00	1,280,767.34	344,068.55
Total Liabilities	8,194,978.92	7,764,065.34	14,558.40	6,000.00	8,209,537.32	7,770,065.34
Net Assets:						
Invested in Capital Assets -						
Net of Related Debt	76,913,844.24	74,933,855.83			76,913,844.24	74,933,855.83
Restricted	1,990,202.15	2,581,965.52			1,990,202.15	2,581,965.52
Unrestricted	1,914,095.33	2,248,613.51	22,719.10	31,879.30	1,936,814.43	2,280,492.81
Total Net Assets	\$80,818,141.72	\$79,764,434.86	\$ 22,719.10	\$ 31,879.30	\$80,840,860.82	\$79,796,314.16

The largest portion of the District's net assets (95.1 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 (2.5 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (2.4 percent) may be used to meet the District's ongoing obligations to students, employees, and creditors.

Net assets increased by approximately \$1 million, or 1.3 percent. Below is a comparison of current and prior fiscal year operating results, which discloses revenues, expenses, and changes in net assets.

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	\$ 745,135.20	\$ 774,478.52	\$ 105,450.00	\$ 105,450.00	\$ 850,585.20	\$ 879,928.52
Operating Grants and Contributions	3,343,331.79	3,497,558.29			3,343,331.79	3,497,558.29
Capital Grants and Contributions	227,293.73	201,304.50			227,293.73	201,304.50
General Revenues:						
Property Taxes, Levied for Operational Purposes	7,854,327.45	8,515,105.61			7,854,327.45	8,515,105.61
Property Taxes, Levied for Debt Service	657,035.59	645,870.07			657,035.59	645,870.07
Property Taxes, Levied for Capital Projects	1,809,565.01	1,945,643.05			1,809,565.01	1,945,643.05
Grants and Contributions Not Restricted to Specific Programs	26,523,700.89	29,707,935.92			26,523,700.89	29,707,935.92
Unrestricted Investment Earnings	39,010.32	63,245.44			39,010.32	63,245.44
Miscellaneous	472,898.44	352,320.14			472,898.44	352,320.14
Total Revenues	41,672,298.42	45,703,461.54	105,450.00	105,450.00	41,777,748.42	45,808,911.54
Functions/Program Expenses:						
Instruction	20,639,785.03	23,083,228.48			20,639,785.03	23,083,228.48
Pupil Personnel Services	1,925,445.81	2,034,093.60			1,925,445.81	2,034,093.60
Instructional Media Services	473,151.09	521,123.32			473,151.09	521,123.32
Instruction and Curriculum Development Services	513,772.85	945,269.24			513,772.85	945,269.24
Instructional Staff Training Services	371,099.09	425,857.54			371,099.09	425,857.54
Instruction Related Technology	322,062.01	330,634.02			322,062.01	330,634.02
School Board	454,311.71	512,130.47			454,311.71	512,130.47
General Administration	526,757.63	513,988.18			526,757.63	513,988.18
School Administration	2,333,178.68	2,181,855.42			2,333,178.68	2,181,855.42
Facilities Acquisition and Construction	140,149.51	131,246.50			140,149.51	131,246.50
Fiscal Services	376,868.49	390,144.77			376,868.49	390,144.77
Food Services	1,941,867.45	2,034,785.23			1,941,867.45	2,034,785.23
Central Services	652,410.24	628,801.39			652,410.24	628,801.39
Pupil Transportation Services	2,779,455.66	2,776,813.65			2,779,455.66	2,776,813.65
Operation of Plant	4,023,599.31	4,238,118.58			4,023,599.31	4,238,118.58
Maintenance of Plant	1,056,131.47	1,050,467.91			1,056,131.47	1,050,467.91
Administrative Technology Services	83,043.59	63,029.31			83,043.59	63,029.31
Community Services	6,087.59	6,272.54			6,087.59	6,272.54
Unallocated Interest on Long-Term Debt	132,836.09	159,083.74			132,836.09	159,083.74
Unallocated Depreciation Expense	1,866,578.26	1,846,898.75			1,866,578.26	1,846,898.75
Small School District Council Consortium			114,610.20	106,068.49	114,610.20	106,068.49
Total Functions/Program Expenses	40,618,591.56	43,873,842.64	114,610.20	106,068.49	40,733,201.76	43,979,911.13
Increase (Decrease) in Net Assets	\$ 1,053,706.86	\$ 1,829,618.90	\$ (9,160.20)	\$ (618.49)	\$ 1,044,546.66	\$ 1,829,000.41

The largest revenue source is the State of Florida. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. There was a decrease in the base student allocation (BSA) and district cost differential (DCD). Compared to the previous fiscal year, the BSA multiplied by the DCD decreased by 4 percent per full-time equivalent student from \$3,380.24 to \$3,246.11. In addition, the District's unweighted student enrollment decreased by 50 students from the 2010-11 fiscal year to 5,073 students.

The grants and contributions not restricted to specific purposes declined \$3,184,235.03 primarily from reduction of the Federal economic stimulus funding for the 2011-12 fiscal year. Instruction expenses represent 51 percent of total governmental expenses for the 2011-12 fiscal year. Instruction expenses decreased \$2,443,443.43, or 10.6 percent primarily from a decrease in the Federal economic stimulus funding and a decrease in the retirement contribution rate.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the District's chief operating fund. For the current fiscal year, 80.1 percent of revenues and 80.4 percent of expenditures of the governmental funds were accounted for in the General Fund. During the fiscal year, the total fund balance decreased by \$732,902.06 to \$4,635,544.23 primarily from a decrease in State revenues and property taxes revenues. The unassigned and assigned fund balances of the General Fund are an important indicator of the District's financial condition. Through fiscal prudence, the District attempts to maintain an unassigned plus assigned fund balance of at least 5 percent of General Fund revenues for any given fiscal year. At the end of the current fiscal year, unassigned plus assigned fund balance is \$4,022,520.96, or 12.1 percent of General Fund revenues totaling \$33,303,453.32. The unassigned plus assigned fund balance decreased \$269,961.84 from the unassigned plus assigned fund balance of \$4,292,482.80 in the previous fiscal year.

The Special Revenue – Federal Economic Stimulus Fund is used to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA). Revenues and expenditures declined \$3,209,852.63 each because of the expiration of certain Federal stimulus grants. Because grant revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Local Capital Improvement Fund and Capital Projects – Other Fund have total fund balances of \$1,049,739.94 and \$2,151,861.65, respectively. Fund balances for these funds are restricted or assigned for the acquisition, construction, and maintenance of capital assets. The fund balance of the Capital Project – Local Capital Improvement Fund decreased by \$190,297.11, or 15 percent, due to an increase in construction expenditures for the heating, ventilation, and air-conditioning (HVAC) renovation project at Wakulla Middle School. It should be noted that \$1,007,204.71 and \$1,967,121.45 of the respective fund balances has been encumbered for the HVAC renovation project.

Proprietary Fund

The only proprietary fund for the District is the Small School District Council Consortium Enterprise Fund, which reported unrestricted net assets of \$22,719.10 at June 30, 2012. This balance represents a 28.7 percent decrease from the previous fiscal year. This decrease occurred primarily because of increased costs for a consulting firm used by the Consortium.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2011-12 fiscal year, the District amended its General Fund budget several times; however, final budgeted revenues and expenditures were in line with the original budgeted amounts. Budget revisions were due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues are \$408,287.62, or 1.2 percent more than the final budgeted amounts while actual expenditures are \$2,215,042.24, or 6.1 percent less than final budget amounts. The decrease in expenditures was primarily because instruction expenditures were less than planned. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$2,618,902.49.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental and business-type activities at June 30, 2012, is \$79,413,844.24 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

Major capital asset events during the current fiscal year included construction in progress for the HVAC renovation project at Wakulla Middle School.

Additional information on the District's capital assets can be found in notes 4 and 13 to the financial statements.

Long-Term Debt

At June 30, 2012, the District has total long-term debt outstanding of \$2,500,000, which is comprised of bonds payable. During the current fiscal year, retirement of debt amounted to \$640,000. Additional information on the District's long-term debt can be found in notes 5 and 6 to the financial statements.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Wakulla County District School Board, Post Office Box 100, Crawfordville, FL 32326.

BASIC FINANCIAL STATEMENTS

WAKULLA COUNTY DISTRICT SCHOOL BOARD STATEMENT OF NET ASSETS June 30, 2012

	Governmental Activities	Primary Government Business-Type Activities	Total	Component Unit
ASSETS				
Cash and Cash Equivalents	\$ 8,813,021.06	\$ 37,277.50	\$ 8,850,298.56	\$ 154,288.00
Investments	110,774.53		110,774.53	
Accounts Receivable	5,500.00		5,500.00	
Due from Other Agencies	430,682.60		430,682.60	1,496.00
Prepaid Items	41,814.00		41,814.00	6,104.00
Inventories	197,484.21		197,484.21	
Capital Assets:				
Nondepreciable Capital Assets	5,936,027.14		5,936,027.14	
Depreciable Capital Assets, Net	73,477,817.10		73,477,817.10	435,339.00
TOTAL ASSETS	\$ 89,013,120.64	\$ 37,277.50	\$ 89,050,398.14	\$ 597,227.00
LIABILITIES				
Salaries and Benefits Payable	\$ 10,352.78	\$	\$ 10,352.78	\$
Payroll Deductions and Withholdings	10,429.09		10,429.09	
Accounts Payable	337,080.18	14,558.40	351,638.58	4,100.00
Construction Contracts Payable	686,670.89		686,670.89	
Construction Contracts Payable - Retainage	114,675.87		114,675.87	
Due to Other Agencies	41,523.88		41,523.88	
Deferred Revenue	41,814.00		41,814.00	
Accrued Interest Payable	23,662.25		23,662.25	
Long-Term Liabilities:				
Portion Due Within One Year	890,926.34		890,926.34	16,503.00
Portion Due After One Year	6,037,843.64		6,037,843.64	149,682.00
Total Liabilities	8,194,978.92	14,558.40	8,209,537.32	170,285.00
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	76,913,844.24		76,913,844.24	269,154.00
Restricted for:				
State Required Carryover Programs	444,540.57		444,540.57	
Debt Service	40,629.91		40,629.91	
Capital Projects	1,050,331.82		1,050,331.82	15,991.00
Food Service	454,699.85		454,699.85	4,000.00
Unrestricted	1,914,095.33	22,719.10	1,936,814.43	137,797.00
Total Net Assets	80,818,141.72	22,719.10	80,840,860.82	426,942.00
TOTAL LIABILITIES AND NET ASSETS	\$ 89,013,120.64	\$ 37,277.50	\$ 89,050,398.14	\$ 597,227.00

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

**WAKULLA 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	\$ 20,639,785.03	\$ 50,330.77	\$	\$
Pupil Personnel Services	1,925,445.81			
Instructional Media Services	473,151.09			
Instruction and Curriculum Development Services	513,772.85			
Instructional Staff Training Services	371,099.09			
Instruction Related Technology	322,062.01			
School Board	454,311.71			
General Administration	526,757.63			
School Administration	2,333,178.68			
Facilities Acquisition and Construction	140,149.51			100,194.69
Fiscal Services	376,868.49			
Food Services	1,941,867.45	694,804.43	1,327,585.10	
Central Services	652,410.24			
Pupil Transportation Services	2,779,455.66		1,966,315.00	
Operation of Plant	4,023,599.31			
Maintenance of Plant	1,056,131.47		49,431.69	
Administrative Technology Services	83,043.59			
Community Services	6,087.59			
Unallocated Interest on Long-Term Debt	132,836.09			127,099.04
Unallocated Depreciation Expense*	1,866,578.26			
Total Governmental Activities	40,618,591.56	745,135.20	3,343,331.79	227,293.73
Business-Type Activities:				
Small School District Council Consortium	114,610.20	105,450.00		
Total Business-Type Activities	114,610.20	105,450.00		
Total Primary Government	\$ 40,733,201.76	\$ 850,585.20	\$ 3,343,331.79	\$ 227,293.73
Component Unit				
Wakulla's Charter School of Arts, Science and Technology, Inc.	\$ 1,061,014.00	\$ 10,610.00	\$ 249,323.00	\$ 50,928.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes
Property Taxes, Levied for Debt Service
Property Taxes, Levied for Capital Projects
Grants and Contributions Not Restricted to Specific Programs
Unrestricted Investment Earnings
Miscellaneous

Total General Revenues**Change in Net Assets**

Net Assets - Beginning

Net Assets - Ending

* 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			Component Unit
Governmental Activities	Business-Type Activities	Total	
\$ (20,589,454.26)	\$	\$ (20,589,454.26)	\$
(1,925,445.81)		(1,925,445.81)	
(473,151.09)		(473,151.09)	
(513,772.85)		(513,772.85)	
(371,099.09)		(371,099.09)	
(322,062.01)		(322,062.01)	
(454,311.71)		(454,311.71)	
(526,757.63)		(526,757.63)	
(2,333,178.68)		(2,333,178.68)	
(39,954.82)		(39,954.82)	
(376,868.49)		(376,868.49)	
80,522.08		80,522.08	
(652,410.24)		(652,410.24)	
(813,140.66)		(813,140.66)	
(4,023,599.31)		(4,023,599.31)	
(1,006,699.78)		(1,006,699.78)	
(83,043.59)		(83,043.59)	
(6,087.59)		(6,087.59)	
(5,737.05)		(5,737.05)	
(1,866,578.26)		(1,866,578.26)	
(36,302,830.84)		(36,302,830.84)	
	(9,160.20)	(9,160.20)	
	(9,160.20)	(9,160.20)	
(36,302,830.84)	(9,160.20)	(36,311,991.04)	
			(750,153.00)
7,854,327.45		7,854,327.45	
657,035.59		657,035.59	
1,809,565.01		1,809,565.01	
26,523,700.89		26,523,700.89	758,290.00
39,010.32		39,010.32	345.00
472,898.44		472,898.44	1,748.00
37,356,537.70		37,356,537.70	760,383.00
1,053,706.86	(9,160.20)	1,044,546.66	10,230.00
79,764,434.86	31,879.30	79,796,314.16	416,712.00
\$ 80,818,141.72	\$ 22,719.10	\$ 80,840,860.82	\$ 426,942.00

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

	General Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 4,165,873.37	\$ 71.05	\$ 2,009,642.25
Investments	46,240.84		
Accounts Receivable	5,500.00		
Due from Other Funds	132,980.97		
Due from Other Agencies	312,148.93	3,859.13	562.96
Prepaid Items		41,814.00	
Inventories	122,241.86		
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 4,784,985.97</u>	<u>\$ 45,744.18</u>	<u>\$ 2,010,205.21</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$	\$	\$
Payroll Deductions and Withholdings	9,533.75	17.05	
Accounts Payable	56,328.39	2,088.13	273,794.38
Construction Contracts Payable			686,670.89
Construction Contracts Payable - Retainage			
Due to Other Funds	60,568.51	1,825.00	
Due to Other Agencies	23,011.09		
Deferred Revenue		41,814.00	
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>149,441.74</u>	<u>45,744.18</u>	<u>960,465.27</u>
Fund Balances:			
Nonspendable:			
Inventory	122,241.86		
Prepaid Items		41,814.00	
Investments Not in Spendable Form	46,240.84		
Total Nonspendable Fund Balance	<u>168,482.70</u>	<u>41,814.00</u>	<u> </u>
Restricted for:			
State Required Carryover Programs	444,540.57		
Debt Service			
Capital Projects			1,049,739.94
Food Services			
Total Restricted Fund Balance	<u>444,540.57</u>	<u> </u>	<u>1,049,739.94</u>
Assigned to:			
Capital Projects			
School Operation	823,212.79		
Total Assigned Fund Balance	<u>823,212.79</u>	<u> </u>	<u> </u>
Unassigned Fund Balance	<u>3,199,308.17</u>	<u>(41,814.00)</u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>4,635,544.23</u>	<u> </u>	<u>1,049,739.94</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,784,985.97</u>	<u>\$ 45,744.18</u>	<u>\$ 2,010,205.21</u>

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,159,127.37	\$ 478,307.02	\$ 8,813,021.06
43,713.69	20,820.00	110,774.53
		5,500.00
59,388.61	1,179.90	193,549.48
4,972.35	109,139.23	430,682.60
		41,814.00
	75,242.35	197,484.21
\$ 2,267,202.02	\$ 684,688.50	\$ 9,792,825.88
\$	\$ 10,352.78	\$ 10,352.78
	878.29	10,429.09
	4,869.28	337,080.18
		686,670.89
114,675.87		114,675.87
664.50	130,491.47	193,549.48
	18,512.79	41,523.88
		41,814.00
115,340.37	165,104.61	1,436,096.17
	75,242.35	197,484.21
		41,814.00
43,713.69	859.49	90,814.02
43,713.69	76,101.84	330,112.23
		444,540.57
	63,432.67	63,432.67
	591.88	1,050,331.82
	379,457.50	379,457.50
	443,482.05	1,937,762.56
2,108,147.96		2,108,147.96
		823,212.79
2,108,147.96		2,931,360.75
		3,157,494.17
2,151,861.65	519,583.89	8,356,729.71
\$ 2,267,202.02	\$ 684,688.50	\$ 9,792,825.88

**WAKULLA 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	\$ 8,356,729.71
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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.	79,413,844.24
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Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.	(23,662.25)
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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 year-end consist of:

Bonds Payable	\$ 2,500,000.00	
Compensated Absences Payable	2,513,371.98	
Other Postemployment Benefits Payable	1,915,398.00	(6,928,769.98)

Total Net Assets - Governmental Activities	\$ 80,818,141.72
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The accompanying notes to financial statements are an integral part of this statement.

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**WAKULLA 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 - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 86,839.01	\$	\$
Federal Through State and Local State	701,470.49 24,167,537.27	220,706.34	
Local:			
Property Taxes	7,854,327.45		1,809,565.01
Charges for Services - Food Service			
Miscellaneous	493,279.10		5,209.43
Total Local Revenues	<u>8,347,606.55</u>		<u>1,814,774.44</u>
Total Revenues	<u>33,303,453.32</u>	<u>220,706.34</u>	<u>1,814,774.44</u>
Expenditures			
Current - Education:			
Instruction	18,869,774.90	51,838.44	
Pupil Personnel Services	1,612,614.43	34,863.52	
Instructional Media Services	469,803.69		
Instruction and Curriculum Development Services	465,231.95		
Instructional Staff Training Services	159,180.69	55,734.19	
Instruction Related Technology	324,164.60		
School Board	453,521.37		
General Administration	434,679.86		
School Administration	2,233,920.66	30,524.54	
Facilities Acquisition and Construction	122,630.91		
Fiscal Services	381,689.87		
Food Services	9,935.02		
Central Services	689,979.34	10,459.73	
Pupil Transportation Services	2,549,067.58		
Operation of Plant	4,021,317.51		
Maintenance of Plant	1,080,107.04		
Administrative Technology Services	83,488.26		
Community Services	6,054.01		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			1,824,023.55
Other Capital Outlay	112,349.32	37,285.92	181,048.00
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>34,079,511.01</u>	<u>220,706.34</u>	<u>2,005,071.55</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(776,057.69)</u>		<u>(190,297.11)</u>
Other Financing Sources (Uses)			
Transfers In	49,431.69		
Proceeds from Sale of Capital Assets	47,583.00		
Transfers Out			
Total Other Financing Sources (Uses)	<u>97,014.69</u>		
Net Change in Fund Balances	(679,043.00)		(190,297.11)
Fund Balances, Beginning	5,368,446.29		1,240,037.05
Decrease in Nonspendable Inventory	(53,859.06)		
Fund Balances, Ending	<u>\$ 4,635,544.23</u>	<u>\$ 0.00</u>	<u>\$ 1,049,739.94</u>

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	86,839.01	
	3,595,053.19	4,517,230.02
1,074,297.98	218,551.49	25,460,386.74
	657,035.59	10,320,928.05
	694,804.43	694,804.43
9,881.58	5,032.67	513,402.78
9,881.58	1,356,872.69	11,529,135.26
1,084,179.56	5,170,477.37	41,593,591.03
	1,613,498.85	20,535,112.19
	226,666.21	1,874,144.16
		469,803.69
	66,552.82	531,784.77
	173,180.06	388,094.94
		324,164.60
		453,521.37
	68,839.62	503,519.48
		2,264,445.20
16,823.00		139,453.91
		381,689.87
	1,918,510.08	1,928,445.10
	6,324.99	706,764.06
	7,323.36	2,556,390.94
		4,021,317.51
		1,080,107.04
		83,488.26
		6,054.01
126,610.87	133,788.61	2,084,423.03
802,603.96	131,822.22	1,265,109.42
	640,000.00	640,000.00
	137,070.61	137,070.61
946,037.83	5,123,577.43	42,374,904.16
138,141.73	46,899.94	(781,313.13)
		49,431.69
		47,583.00
(49,431.69)		(49,431.69)
(49,431.69)		47,583.00
88,710.04	46,899.94	(733,730.13)
2,063,151.61	472,683.95	9,144,318.90
		(53,859.06)
\$ 2,151,861.65	\$ 519,583.89	\$ 8,356,729.71

**WAKULLA 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 \$ (733,730.13)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current fiscal year.	1,310,117.77
Donated capital assets are reported as revenue in the statement of activities but do not provide current financial resource and therefore are not reported in the governmental funds.	29,870.64
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.	640,000.00
Accrued interest expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. This is the reduction in accrued interest during the current period.	4,080.83
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year.	2,167.81
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.	(144,941.00)
The purchases method of inventory accounting is used in the governmental funds for the transportation inventories, while the government-wide statement inventories are accounted for on the consumption method.	(53,859.06)

Change in Net Assets - Governmental Activities \$ 1,053,706.86

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

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
June 30, 2012**

Business-Type
Activities -
Nonmajor
Enterprise Fund
Small School
District Council
Consortium

ASSETS

Current Assets:

Cash and Cash Equivalents

\$ 37,277.50

LIABILITIES

Current Liabilities:

Accounts Payable

\$ 14,558.40

NET ASSETS

Unrestricted

22,719.10

TOTAL LIABILITIES AND NET ASSETS

\$ 37,277.50

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

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2012**

	Business-Type Activities - Nonmajor Enterprise Fund <u>Small School District Council Consortium</u>
OPERATING REVENUES	
Charges for Services	\$ 105,450.00
OPERATING EXPENSES	
Purchased Services	<u>114,610.20</u>
Operating Loss	(9,160.20)
Total Net Assets - Beginning	<u>31,879.30</u>
Total Net Assets - Ending	<u><u>\$ 22,719.10</u></u>

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

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2012**

	Business-Type Activities - Nonmajor Enterprise Fund <u>Small School District Council Consortium</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Services	\$ 105,450.00
Cash Payments to Suppliers for Goods and Services	<u>(106,051.80)</u>
Net Cash Used by Operating Activities	<u>(601.80)</u>
 Cash and Cash Equivalents, Beginning	 <u>37,879.30</u>
Cash and Cash Equivalents, Ending	<u>\$ 37,277.50</u>
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ <u>(9,160.20)</u>
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Change in Liability:	
Increase in Accounts Payable	<u>8,558.40</u>
Net Cash Used by Operating Activities	<u>\$ (601.80)</u>

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

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2012**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 528,317.00</u>
LIABILITIES	
Internal Accounts Payable	<u>\$ 528,317.00</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The Wakulla 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 Wakulla 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 Wakulla 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 the application of these criteria, the following component unit is included within the District's reporting entity:

Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the Wakulla's Charter School of Arts, Science and Technology, Inc. (Charter School). The Charter School is a separate, not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School operates under a charter approved by its sponsor, the Wakulla County District School Board. The Charter School is considered to be a component unit of the District since it is fiscally dependent on the District to levy taxes for its support. The financial data reported on the accompanying statements was derived from the Charter School's audited financial statements for the fiscal year ended June 30, 2012. The audit report is on file at the District office.

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 District and its component unit. 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.

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

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 net residual amounts between governmental and business-type activities.

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

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

- Enterprise Fund – to account for the financing of the Small School District Council Consortium, for which the District is the fiscal agent.
- 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 fund 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.

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Proprietary funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989, and applicable standards issued by 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 fund are charges for services relating to the Small School District Council Consortium. Operating expenses of the Consortium consist of purchased services. 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.

The Charter School, shown as a discretely presented component unit, is accounted for as a governmental organization and follows the same accounting model as the District's governmental activities.

Deposits and Investments. The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of 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, amounts placed with the SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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

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

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 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.

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

Prepaid Items. Prepaid items are reported in the governmental funds under the consumption method.

Inventories. Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the first-in, first-out basis, except that the United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of food service inventories are recorded as expenditures when used rather than purchased. The cost of transportation inventories is recorded as an expenditure at the time of purchase, and the reported inventories are equally offset by nonspendable fund balance as inventories do not constitute available spendable resources.

Capital Assets. Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. However, for renovations to buildings, the threshold of capitalization is \$50,000. 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.

Capital assets are depreciated using the weighted average composite method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	8 - 35 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 10 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 - 7 years

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

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.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements.

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

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

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

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 Wakulla County Property Appraiser, and property taxes are collected by the Wakulla 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.

**WAKULLA 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 Wakulla 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.

**WAKULLA 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	\$ 8,702,755.37
Fund B	5.73 Year Average	90,814.02
Debt Service Accounts	6 Months	19,960.51
Total Investments, Primary Government		<u>\$ 8,813,529.90</u>

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

➤ Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy does not limit 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 (SEC) 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.

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.

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

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 3,501,421.43	\$	\$	\$ 3,501,421.43
Land Improvements - Nondepreciable	6,752.00			6,752.00
Construction in Progress	373,615.51	2,114,293.67	60,055.47	2,427,853.71
Total Capital Assets Not Being Depreciated	3,881,788.94	2,114,293.67	60,055.47	5,936,027.14
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,356,706.01	877,894.04		4,234,600.05
Buildings and Fixed Equipment	91,597,326.69			91,597,326.69
Furniture, Fixtures, and Equipment	4,478,404.05	232,846.79	83,055.47	4,628,195.37
Motor Vehicles	4,734,227.88	213,554.99	41,477.00	4,906,305.87
Audio Visual Materials and Computer Software	285,373.44	2,122.82	16,404.56	271,091.70
Total Capital Assets Being Depreciated	104,452,038.07	1,326,418.64	140,937.03	105,637,519.68
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,280,928.59	122,885.93		2,403,814.52
Buildings and Fixed Equipment	21,253,957.76	1,484,245.08		22,738,202.84
Furniture, Fixtures, and Equipment	3,180,539.45	246,444.53	83,055.47	3,343,928.51
Motor Vehicles	3,322,291.08	174,090.17	41,477.00	3,454,904.25
Audio Visual Materials and Computer Software	222,254.30	13,002.72	16,404.56	218,852.46
Total Accumulated Depreciation	30,259,971.18	2,040,668.43	140,937.03	32,159,702.58
Total Capital Assets Being Depreciated, Net	74,192,066.89	(714,249.79)		73,477,817.10
Governmental Activities Capital Assets, Net	\$ 78,073,855.83	\$ 1,400,043.88	\$ 60,055.47	\$ 79,413,844.24

**WAKULLA 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	\$ 174,090.17
Unallocated	<u>1,866,578.26</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,040,668.43</u></u>

5. BONDS PAYABLE

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005B, Refunding	\$ 575,000.00	5.0	2018
Series 2009A, Refunding	125,000.00	4.0 - 5.0	2019
District General Obligation Bonds:			
Series 1999, Refunding	<u>1,800,000.00</u>	4.09	2015
Total Bonds Payable	<u><u>\$ 2,500,000.00</u></u>		

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

➤ State School Bonds

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

➤ District General Obligation Bonds

General Obligation Bonds, Series 1999, are authorized by a resolution adopted by the Board on April 9, 1999. The District's full faith and credit is pledged as security for these bonds.

**WAKULLA 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	\$ 129,850.00	\$ 95,000.00	\$ 34,850.00
2014	130,250.00	100,000.00	30,250.00
2015	140,250.00	115,000.00	25,250.00
2016	139,500.00	120,000.00	19,500.00
2017	133,500.00	120,000.00	13,500.00
2018-2019	158,500.00	150,000.00	8,500.00
Total State School Bonds	831,850.00	700,000.00	131,850.00
General Obligation Bonds:			
2013	649,642.50	575,000.00	74,642.50
2014	650,798.37	600,000.00	50,798.37
2015	650,917.53	625,000.00	25,917.53
Total General Obligation Bonds	1,951,358.40	1,800,000.00	151,358.40
Total	\$ 2,783,208.40	\$ 2,500,000.00	\$ 283,208.40

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	\$ 3,140,000.00	\$	\$ 640,000.00	\$ 2,500,000.00	\$ 670,000.00
Compensated Absences Payable	2,515,539.79	232,118.56	234,286.37	2,513,371.98	220,926.34
Other Postemployment Benefits Payable	1,770,457.00	378,935.00	233,994.00	1,915,398.00	
Total Governmental Activities	\$ 7,425,996.79	\$ 611,053.56	\$ 1,108,280.37	\$ 6,928,769.98	\$ 890,926.34

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

**WAKULLA 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:		
General	\$ 132,980.97	\$ 60,568.51
Special Revenue:		
Federal Economic Stimulus		1,825.00
Capital Projects:		
Local Capital Improvement		664.50
Other	59,388.61	
Nonmajor Governmental	1,179.90	130,491.47
Total	<u>\$ 193,549.48</u>	<u>\$ 193,549.48</u>

The principal purpose of these balances was to reimburse the General Fund for temporary advances made to the Capital Project - Local Capital Improvement Fund, the nonmajor Special Revenue – Food Service Fund, the nonmajor Special Revenue - Other Fund, and the Special Revenue – Federal Economic Stimulus Fund, in addition, to reimburse the Capital Projects – Other Fund for funds originally deposited into the General Fund. All 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:		
General	\$ 49,431.69	\$
Capital Projects:		
Other		49,431.69
Total	<u>\$ 49,431.69</u>	<u>\$ 49,431.69</u>

The purposes of the interfund transfers were related to the transfer of Charter School Capital Outlay funds to the General Fund.

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

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.

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

➤ **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, or his designee, as authorized by Board Resolution 11/12-01 and not included in other categories. The District assigned balances of \$823,212.79 in the General Fund for the roll forward of unspent school budgets; and \$2,108,147.96 in the Capital Projects – Other Fund for ongoing and future capital projects including the Wakulla Middle School HVAC Renovation and other various Districtwide repairs and renovations.

➤ **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.

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

9. 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
Florida Education Finance Program	\$ 18,037,761.00
Categorical Educational Program - Class Size Reduction	5,342,386.00
Florida Department of Transportation State Grant	777,616.29
Workforce Development Program	235,264.00
School Recognition	206,645.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	197,423.09
Voluntary Pre-Kindergarten Program	145,636.57
Charter School Capital Outlay	49,431.69
Discretionary Lottery Funds	15,326.00
State Forest Funds	11,659.08
Miscellaneous	441,238.02
Total	\$ 25,460,386.74

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

10. PROPERTY TAXES

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

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.515	\$ 6,893,537.80
Basic Discretionary Local Effort	0.748	934,968.85
Critical Operating Needs	0.250	312,489.59
DEBT SERVICE FUNDS		
Voted Tax:		
Special Tax School District No. 1	0.545	681,241.56
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,874,945.86
Total	8.558	\$ 10,697,183.66

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

11. 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.

As provided in Section 121.4501, Florida Statutes, eligible the 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, 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.

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

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 \$2,297,080.26, \$2,515,642.41, and \$1,476,078.60, respectively, which were equal to the required contributions for each fiscal year.

There were 81 District participants in the Investment Plan during the 2011-12 fiscal year. The District's contributions including employee contributions to the Investment Plan totaled \$165,505.21, 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.

12. 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 health and hospitalization plan for medical, prescription drug, and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the 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

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

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 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, 173 retirees received postemployment life and 23 retirees received postemployment healthcare benefits. The District provided required contributions of \$233,994 toward the annual OPEB cost, net of retiree contributions totaling \$145,632, which represents .1 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:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 200,950
Amortization of Unfunded Actuarial Accrued Liability	<u>236,085</u>
Annual Required Contribution	437,035
Interest on Net OPEB Obligation	66,392
Adjustment to Annual Required Contribution	<u>(124,492)</u>
Annual OPEB Cost (Expense)	378,935
Contribution Toward the OPEB Cost	<u>(233,994)</u>
Increase in Net OPEB Obligation	144,941
Net OPEB Obligation, Beginning of Year	<u>1,770,457</u>
Net OPEB Obligation, End of Year	<u><u>\$ 1,915,398</u></u>

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

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
2009-10	\$1,235,477	34.6%	\$1,617,639
2010-11	370,717	58.8%	1,770,457
2011-12	378,935	61.8%	1,915,398

Funded Status and Funding Progress. As of October 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was \$3,399,950, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$3,399,950 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$15,045,711, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 22.6 percent.

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

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

The District's OPEB actuarial valuation as of October 1, 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 3.75 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 9 percent initially beginning October 1, 2010, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after eight years. The investment rate of return and payroll growth rate include a general price inflation 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 14 years.

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

13. 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 Funds					
<u>General</u>	<u>Special Revenue - Federal Economic Stimulus</u>	<u>Capital Projects - Local Capital Improvement</u>	<u>Capital Projects - Other</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>\$ 138,549</u>	<u>\$ 11,908</u>	<u>\$ 1,007,205</u>	<u>\$ 1,967,121</u>	<u>\$ 25,741</u>	<u>\$ 3,150,524</u>

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

<u>Project</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Wakulla Middle School HVAC Renovation:			
Architect	\$ 300,000.00	\$ 257,550.00	\$ 42,450.00
Contractor	4,768,550.00	1,993,271.13	2,775,278.87
	<u>\$ 5,068,550.00</u>	<u>\$ 2,250,821.13</u>	<u>\$ 2,817,728.87</u>

14. CONSORTIUM

The District is a member of, and the fiscal agent for, the Small School District Council Consortium (SSDCC). The SSDCC is an association of small school districts organized to hire a consultant to collect, interpret, and disseminate information regarding educational matters affecting the member districts, as well as consult and communicate as directed to change, influence, and improve the conditions in the affected districts. The District is not the predominant participant in the consortium and, therefore, has established an enterprise fund to account for the SSDCC's resources and operations.

15. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Wakulla County District School Board is a member of the Panhandle Area Educational Consortium - Risk Management Consortium (Consortium) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the

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

Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Washington County District School Board serves as fiscal agent for the Consortium.

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

Employee group life and health insurance are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**WAKULLA 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	\$ 75,000.00	\$ 75,000.00	\$ 86,839.01	\$ 11,839.01
Federal Through State and Local	628,442.00	656,054.00	701,470.49	45,416.49
State	24,090,734.00	24,131,485.70	24,167,537.27	36,051.57
Local:				
Property Taxes	7,725,218.00	7,725,218.00	7,854,327.45	129,109.45
Miscellaneous	265,000.00	307,408.00	493,279.10	185,871.10
Total Local Revenues	<u>7,990,218.00</u>	<u>8,032,626.00</u>	<u>8,347,606.55</u>	<u>314,980.55</u>
Total Revenues	<u>32,784,394.00</u>	<u>32,895,165.70</u>	<u>33,303,453.32</u>	<u>408,287.62</u>
Expenditures				
Current - Education:				
Instruction	20,529,757.36	20,234,882.90	18,869,774.90	1,365,108.00
Pupil Personnel Services	1,647,531.33	1,680,743.33	1,612,614.43	68,128.90
Instructional Media Services	494,093.32	496,343.32	469,803.69	26,539.63
Instruction and Curriculum Development Services	919,250.95	496,559.05	465,231.95	31,327.10
Instructional Staff Training Services	122,994.74	235,245.08	159,180.69	76,064.39
Instruction Related Technology	292,620.79	365,408.60	324,164.60	41,244.00
School Board	493,832.34	493,832.34	453,521.37	40,310.97
General Administration	360,845.14	435,645.14	434,679.86	965.28
School Administration	2,020,691.59	2,297,441.15	2,233,920.66	63,520.49
Facilities Acquisition and Construction	155,054.33	141,475.77	122,630.91	18,844.86
Fiscal Services	376,570.81	388,681.18	381,689.87	6,991.31
Food Services	1,942.52	14,942.52	9,935.02	5,007.50
Central Services	590,855.49	689,990.49	689,979.34	11.15
Pupil Transportation Services	2,638,495.04	2,646,180.04	2,549,067.58	97,112.46
Operation of Plant	4,324,845.20	4,313,132.21	4,021,317.51	291,814.70
Maintenance of Plant	1,031,168.71	1,080,171.56	1,080,107.04	64.52
Administrative Technology Services	167,757.65	165,452.65	83,488.26	81,964.39
Community Services	4,076.60	6,076.60	6,054.01	22.59
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay		112,349.32	112,349.32	
Total Expenditures	<u>36,172,383.91</u>	<u>36,294,553.25</u>	<u>34,079,511.01</u>	<u>2,215,042.24</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,387,989.91)</u>	<u>(3,399,387.55)</u>	<u>(776,057.69)</u>	<u>2,623,329.86</u>
Other Financing Sources				
Transfers In			49,431.69	49,431.69
Proceeds from Sale of Capital Assets	47,583.00	47,583.00	47,583.00	
Total Other Financing Sources	<u>47,583.00</u>	<u>47,583.00</u>	<u>97,014.69</u>	<u>49,431.69</u>
Net Change in Fund Balances	<u>(3,340,406.91)</u>	<u>(3,351,804.55)</u>	<u>(679,043.00)</u>	<u>2,672,761.55</u>
Fund Balances, Beginning	5,368,446.29	5,368,446.29	5,368,446.29	
Decrease in Nonspendable Inventory			(53,859.06)	(53,859.06)
Fund Balances, Ending	<u>\$ 2,028,039.38</u>	<u>\$ 2,016,641.74</u>	<u>\$ 4,635,544.23</u>	<u>\$ 2,618,902.49</u>

Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 171,001.17	\$ 340,044.88	\$ 220,706.34	\$ (119,338.54)
171,001.17	340,044.88	220,706.34	(119,338.54)
62,127.83	60,753.67	51,838.44	8,915.23
16,413.37	67,708.37	34,863.52	32,844.85
74,841.47	84,080.42	55,734.19	28,346.23
	10,995.06		10,995.06
5,198.43	16,560.37		16,560.37
	30,710.00	30,524.54	185.46
12,420.07	31,951.07	10,459.73	21,491.34
	37,285.92	37,285.92	
171,001.17	340,044.88	220,706.34	119,338.54
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

**WAKULLA 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) (B)	Unfunded AAL (UAAL)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
	(A)	(1)	(B-A)	(A/B)	(C)	
October 1, 2007	\$ 0	\$ 15,477,349	\$ 15,477,349	0.0%	\$ 14,363,429	107.8%
October 1, 2010	0	3,399,950	3,399,950	0.0%	15,045,711	22.6%

Note: (1) The District's OPEB actuarial valuation used the entry age normal cost actuarial method to estimate the actuarial accrued liability.
 (2) The amortization period for the UAAL was revised from 30 to 15 years, assuming that many retirees age 65 and older will discontinue coverage under the District plan. This revision shortened the period of benefit and, consequently, the amortization period was adjusted to recognize all accrued benefits before being paid out.

**WAKULLA 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

**WAKULLA 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:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 89,762.97	\$
National School Lunch Program	10.555	300	365,523.27	
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	321	153,650.88	
National School Lunch Program	10.555 (2)(A)	300	694,590.98	
Total Child Nutrition Cluster			1,303,528.10	
Florida Department of Education:				
Child Nutrition Discretionary Grants Limited Availability	10.579	371	32,033.21	
Florida Department of Financial Services:				
Schools and Roads - Grants to States	10.665	None	152,190.76	
Total United States Department of Agriculture			1,487,752.07	
United States Department of Energy:				
Indirect:				
University of Central Florida:				
ARRA - State Energy Program	81.041 (2)(B)	None	29,870.64	
United States Department of Education:				
Indirect:				
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	945,088.26	78,136.55
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	226	812.73	
Total Title I, Part A Cluster			945,900.99	78,136.55
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	966,051.81	25,000.00
Special Education - Preschool Grants	84.173	267	51,214.74	
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	52,991.65	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	10,581.59	
University of South Florida:				
Special Education - Grants to States	84.027	None	1,500.00	
Putnam County District School Board:				
Special Education - Grants to States	84.027	None	93,362.80	
Leon County District School Board:				
Special Education - Grants to States	84.027	None	21,945.00	
Total Special Education Cluster			1,197,647.59	25,000.00
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	53,402.58	
Career and Technical Education - Basic Grants to States	84.048	151	100,377.93	
Improving Teacher Quality State Grants	84.367	224	143,356.56	258.36
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	4,316.79	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111	137,293.58	
Education Jobs Fund	84.410	541	14,710.00	
Total United States Department of Education			2,597,006.02	103,394.91
United States Department of Health and Human Services:				
Indirect:				
North Florida Child Development, Inc.:				
Head Start	93.600	None	93,694.00	
Total United States Department of Health and Human Services			93,694.00	
United States Department of Homeland Security:				
Indirect:				
Florida Department of Education:				
Homeland Security Grant Program	97.067	532	165,150.00	
United States Department of Defense:				
Direct:				
Navy Junior Reserve Officers Training Corps	None	N/A	86,839.01	
Total Expenditures of Federal Awards			\$ 4,460,311.74	\$ 103,394.91

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 \$97,766.58 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(B) State Energy Program - Represents 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Wakulla 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 and the discretely presented component unit, as described in our report on the Wakulla County District School Board's financial statements. For the discretely presented component unit, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a

reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

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

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
March 13, 2013



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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS 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 Wakulla 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 disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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
March 13, 2013

**WAKULLA 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?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	Yes
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555) and ARRA – State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395 - ARRA)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

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

ADDITIONAL MATTERS

Finding No. 1: 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 athletic coaches, band directors, and school improvement chairpersons. The salary schedule and union contract also evidenced consideration of differentiated pay for critical shortage areas by providing a salary supplement for speech language pathologists, for school demographics by providing a salary supplement for personnel at schools with 90 percent or more students receiving free or reduced-price meals, and for level of job performance difficulties by providing instructors higher salaries than paraprofessionals. However, the usefulness and relevance of the established differentiated pay factor for school demographics was not readily apparent since it is unlikely that any District schools would ever meet the District's criteria and no instructional personnel received a salary supplement for school demographics during the 2011-12 fiscal year. In addition, District records did not evidence the basis for identifying the critical shortage areas. Such documentation could include records evidencing a minimal number of applicants, high personnel turnover rates, and other factors demonstrating the difficulty of hiring and retaining speech language pathologists.

Without a Board-established documented process for identifying the basis for 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. 2011-146 and 2012-148.

Recommendation: The Board should adopt 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. 2: Contractual Services

The District is required, pursuant to State Board of Education (SBE) Rule 6A-1.012, Florida Administrative Code (FAC), to request bids or proposals from three or more sources for purchases exceeding \$50,000. Pursuant to SBE Rule 6A-1.012(6), FAC, in lieu of requesting three bids or proposals, the District may make purchases at or below the unit prices in contracts awarded by another school board when the vendor awarded the contract will permit purchases by the District at the same terms, conditions, and unit prices awarded in such contract, and such purchases are to the District's economic advantage. 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.

In March 2012, the Board approved a four-year contract with a company to provide energy education training and monitoring services for a monthly fee of \$14,500 for 48 consecutive months, or a total of \$696,000. Additional expenditures related to this contract included software costs of \$6,650 per year for the first three years and \$2,593 for the fourth year, and energy education specialist salary and travel expenses totaling \$70,000 per year. However, contrary to the SBE rule, the District did not competitively select the company for the energy education training and monitoring services or document the basis upon which the services were not subject to the competitive selection process.

District personnel indicated that the company was selected based on several considerations, such as discussions with personnel at other school boards about their satisfaction with the company and related energy savings and, because of the unique services of the firm, the District concluded that no other firm in Florida provided the same services. However, District records did not evidence that the purchase was made based on another school board's competitive selection process. Also, the District did not publicly post a description of the purchase sought for a period of at least seven business days, and document that the purchase was available only from a sole source, contrary to SBE Rule 6A-1.012(12)(d), FAC.

In addition, the contract included a provision allowing the District to terminate the contract, but the provision required the District to pay significant termination penalties to the company, depending on the termination date. For example, the contract requires payment of \$217,500 if termination was before or at the end of the first year; \$174,000 if during or at the end of the second year; \$156,600 if during or at the end of the third year; and the lesser of \$139,200 or remaining monthly payments if during the fourth year. District personnel indicated that the anticipated savings from the services provided assurance for the District to enter into the contract; however, District records did not evidence the basis upon which the District determined the reasonableness of the termination penalties.

Without documentation to confirm the competitive selection process of other school boards and evidence the reasonableness of termination penalties, and procedures to ensure compliance with requirements related to sole source purchases, there is an increased risk that services will not be acquired at the lowest and best price consistent with desired quality.

Recommendation: The District should enhance its procedures to ensure that payments are based on competitive bids as required and that the reasonableness of termination penalties and sole source purchases are appropriately documented.

Finding No. 3: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education and proviso language in Chapter 2011-69, Laws of Florida, Specific Appropriation 96, required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with Florida Department of Education (FDOE) instructional hours reporting procedures. In addition, Section 1011.80(5)(d), Florida Statutes, prohibits the District from reporting adult general education contact hours of students whose direct instructional costs were fully funded by an external agency.

For the 2011-12 fiscal year, the District reported to the FDOE 15,925 adult general education instructional contact hours for 118 students enrolled in 619 classes. To determine the accuracy of the hours reported, we tested 2,058 contact hours reported for 15 students enrolled in 63 classes and noted the District improperly reported 160 hours for 2 students enrolled in 2 classes whose direct instructional costs were fully funded by the State Adults with Disabilities Program, contrary to Section 1011.80(5)(d), Florida Statutes. Because District personnel were unaware of this requirement, we expanded our review and noted 844 additional hours reported for a total of 8 students enrolled in 13 other classes whose direct instructional costs were fully funded by the State Adults with Disabilities Program. As a result, the District improperly reported 1,004 hours for 8 students in 15 classes.

Since future funding may be based, in part, on enrollment data submitted to the FDOE, it is important that the data be submitted correctly. Similar findings were noted in our report Nos. 2011-146 and 2012-148.

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

Finding No. 4: Bank Account Reconciliations

Effective internal controls require that reconciliations of bank account balances to the general ledger be performed on a timely, routine basis and reviewed by supervisory personnel. Such reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, permit prompt detection and correction of unrecorded and improperly recorded cash transactions or bank errors, and provide for the efficient and economic management of cash resources.

During the fiscal year 2011-12, the District maintained seven bank accounts. The fiscal secretary was responsible for preparing bank account reconciliations and the chief finance officer was responsible for review and approval of the reconciliations. Of the 84 monthly bank account reconciliations for the 2011-12 fiscal year, District personnel did not timely perform bank account reconciliations for certain payroll and account payables bank accounts. At June 30, 2012, the cash in bank balances for the payroll and account payables bank accounts were \$23,816 and \$58,661, respectively; however, the March through June 2012 payroll bank account reconciliations were not prepared and approved until October 2012. Also, the May and June 2012 account payables bank account reconciliations were not prepared and approved until January 2013. Further, District records for the remaining bank account reconciliations did not evidence the date the bank account reconciliations were prepared and several reconciliations did not evidence supervisory review and approval.

District personnel indicated that the untimely preparation and supervisory approvals of the bank account reconciliations were caused, in part, because of additional time to investigate and correct minor reconciling items.

Untimely bank account reconciliations and supervisory review and approval of the reconciliations increases the risk that errors or fraud could occur and not be promptly detected.

Recommendation: The District should enhance its procedures to ensure that bank account reconciliations are timely completed, reviewed, and approved.

Finding No. 5: Information Technology – Disaster Recovery Plan

An important element of an effective internal control system over information technology (IT) operations is a disaster recovery plan to help minimize data and asset loss in the event of a major hardware or software failure. A disaster recovery plan should identify the critical applications, provide for backups of critical data sets, and provide a step-by-step plan for recovery. In addition, plan elements should be tested periodically to disclose any areas not addressed and to facilitate proper conduct in an actual disruption of IT operations.

The District participates in the Panhandle Area Educational Consortium (PAEC) and obtains certain IT services, such as financial, payroll, student records, and other critical applications, from the Northwest Regional Data Center (NWRDC). The NWRDC developed an IT disaster recovery plan whereby member districts agreed to serve as alternate-processing sites for each other in the event of a disaster that interrupts critical IT operations. Also, the District prepared an IT disaster recovery plan that contained provisions for backups for critical onsite systems and general provisions for the protection and shutdown of computer hardware and equipment; however, the plan lacked the specific processes and procedures to be followed at the District to affect the recovery and restoration of financial, payroll, student records, and other critical applications. Such processes and procedures should include identification and prioritization of critical IT applications and systems and identification of the District's disaster recovery team members and their respective roles and responsibilities. In addition, the plan had not been tested locally to determine operability.

District personnel indicated that the District's IT disaster recovery plan was not revised to identify the specific processes and procedures to recover and restore critical applications because the Director of Technology Services position became vacant in June 2012. Without a detailed plan for the District's disaster recovery, there is an increased risk that the District may be unable to continue critical operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations. Similar findings were noted in our report Nos. 2011-146 and 2012-148.

Recommendation: The District should revise and update its disaster recovery plan to include the specific processes and procedures necessary to affect the recovery and restoration of data for critical applications and test the plan in a simulated exercise to ensure it includes all the necessary components.

Finding No. 6: 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, notification to affected parties, and periodic review of critical system resources to ensure continued integrity.

District IT procedures included security incident response procedures for identifying and logging significant security events; analyzing security violations and incidents; and issuing security alerts and advisories to District personnel. However, the District did not have an established incident response team in place and District procedures did not include an established process for reporting security violations and incidents to the appropriate law enforcement, notifying affected parties, and periodically reviewing critical system resources. Should an event occur that involves the potential or actual compromise, loss, or destruction of District data or IT resources, the lack of comprehensive security incident response procedures and an established incident response team may result in the District's failure to take appropriate and timely action to prevent further loss or damage to the District's data and IT resources. A similar finding was noted in our report No. 2012-148.

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

Finding No. 7: Information Technology – Security Controls - Data Loss Prevention

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 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, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. A similar finding was noted in our report No. 2012-148.

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

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395 - ARRA)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$41,814

Allowable Costs/Cost Principles and Procurement. United States Office of Management and Budget Circular A-87 provides that costs must be necessary and reasonable for the proper and efficient performance and administration of Federal awards and be adequately documented. For the 2011-12 fiscal year, the District reported Race-to-the-Top Program expenditures of \$179,108, and we tested seven expenditures totaling \$107,437 for propriety. One of the expenditures was for software services for the period January 2012 to June 2014, of which \$41,814 represented a prepayment of services. Because the District prepaid for these software services, there is an increased risk that the services may not be properly received, and the District's recourse may be limited should disagreements

arise between the District and the vendor. The \$41,814 prepayment of the software services represents questioned costs subject to disallowance by the FDOE.

Recommendation: The District should enhance its procedures to ensure that services are received prior to payment. In addition, the District should document the allowability of the \$41,814 of question costs to the grantor (FDOE) or restore this amount to the Race-to-the-Top Program.

District Contact Person: Randy Beach, Chief Financial Officer

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2012-148. The following table provides information on recurring District 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
1	Audit Report No. 2012-148, Finding No. 3	Audit Report No. 2011-146, Finding No. 4
3	Audit Report No. 2012-148, Finding No. 6	Audit Report No. 2011-146, Finding No. 2
5	Audit Report No. 2012-148, Finding No. 7	Audit Report No. 2011-146, Finding No. 8
6	Audit Report No. 2012-148, Finding No. 8	NA
7	Audit Report No. 2012-148, Finding No. 9	NA

NA – Not Applicable

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*WAKULLA 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
2012-148		There were no prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE



ROBERT PEARCE
SUPERINTENDENT

RAY GRAY
DISTRICT I

MELISA TAYLOR
DISTRICT II

WAKULLA COUNTY SCHOOL BOARD

69 ARRAN ROAD
POST OFFICE BOX 100
CRAWFORDVILLE, FLORIDA 32326
TELEPHONE: (850)926-0065
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BECKY COOK
DISTRICT III

GREG THOMAS
DISTRICT IV

JERRY EVANS
DISTRICT V

February 21, 2013

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

Dear Mr. Martin:

The preliminary and tentative findings and recommendations for the fiscal year ended June 30, 2012 have been reviewed with Karen Revell and Stellar Lee. Our response to the findings and recommendations are as follows:

Finding No. 1:

The District will continue to work on establishing a process to ensure that differentiated pay is properly identified on the instructional salary schedule.

Finding No. 2:

The District agrees with this finding and will improve procedures to ensure that future sole source purchases comply with SBE Rule 6A-1.012.

Finding No. 3:

District personnel responsible for the reporting of instructional hours for adult education classes will be properly trained to enter data correctly in the student information systems in accordance with guidelines established by DOE. DOE personnel will also be contacted to discuss any possible resolution regarding the hours misreported.

Finding No. 4:

The District agrees with this finding and will enhance efforts to resume timely reconciliations and approvals of bank accounts.

Crawfordville Elementary • Medart Elementary • Riversink Elementary • Shadeville Elementary
Riversprings Middle School • Wakulla Middle School • Wakulla High School
Wakulla Education Center • Sopchoppy Education Center

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 5:

The District's Disaster Recovery Plan will be enhanced to include specific processes and procedures necessary to affect the recovery and restoration of data for critical applications. The District will also test the Disaster Recovery Plan annually.

Finding No. 6:

The District will enhance its IT security incident response procedures to provide reasonable assurance that the District will respond in an appropriate and timely manner to events that may jeopardize the confidentiality, integrity, or availability of data and IT resources.

Finding No. 7:

The District will improve its IT security controls related to data loss prevention to ensure the confidentiality, integrity, and availability of District data and IT resources.

Federal Awards Finding No. 1:

The District agrees with this finding. Further, the District will communicate with DOE that the questioned expenditure is an allowable cost due to the multi-year grant period awarded for this particular Race to the Top grant and that at the time of this response the services in question have been substantially received and utilized by District staff.

The District accepts your comments and recommendations with regard to its 2011-2012 fiscal year audit report in a positive and constructive manner. All recommendations will be reviewed and considered for implementation during the 2012-2013 fiscal year. The District commends your staff on their courtesy and professionalism.

Sincerely,



Robert R. Pearce
Superintendent, Wakulla County School Board

RRP/rb