

# WASHINGTON COUNTY DISTRICT SCHOOL BOARD

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## Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended  
June 30, 2013



STATE OF FLORIDA  
AUDITOR GENERAL  
DAVID W. MARTIN, CPA

## BOARD MEMBERS AND SUPERINTENDENTS

Board members and the Superintendents who served during the 2012-13 fiscal year are listed below:

|                                                                  | <u>District No.</u> |
|------------------------------------------------------------------|---------------------|
| Vann Brock                                                       | 1                   |
| Wayne C. Saunders                                                | 2                   |
| Pamela S. Cates to 11-19-12, Vice Chair                          | 3                   |
| Milton L. Brown from 11-20-12                                    | 3                   |
| Terry Ellis, Chair from 11-20-12                                 | 4                   |
| Susan G. Roberts, Chair to 11-19-12,<br>Vice Chair from 11-20-12 | 5                   |

Dr. Sandra M. Cook, Superintendent to 11-19-12  
Herbert J. Taylor, Superintendent from 11-20-12

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

The audit team leader was Pamela L. Thompson, CPA, and the audit was supervised by Patricia S. Crutchfield, CPA, CFE. For the information technology portion of this audit, the audit team leader was Deena Warren, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Director, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 412-2863.

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

|                                                                                                                                                                                                                                                       | <b>PAGE<br/>NO.</b> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| <b>EXECUTIVE SUMMARY.....</b>                                                                                                                                                                                                                         | <b>i</b>            |
| <b>INDEPENDENT AUDITOR'S REPORT</b>                                                                                                                                                                                                                   |                     |
| Report on the Financial Statements .....                                                                                                                                                                                                              | 1                   |
| Other Reporting Required by <i>Government Auditing Standards</i> .....                                                                                                                                                                                | 3                   |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS .....</b>                                                                                                                                                                                                     | <b>4</b>            |
| <b>BASIC FINANCIAL STATEMENTS</b>                                                                                                                                                                                                                     |                     |
| Statement of Net Position .....                                                                                                                                                                                                                       | 11                  |
| Statement of Activities.....                                                                                                                                                                                                                          | 12                  |
| Balance Sheet – Governmental Funds .....                                                                                                                                                                                                              | 14                  |
| Reconciliation of the Governmental Funds Balance Sheet<br>to the Statement of Net Position .....                                                                                                                                                      | 16                  |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balances – Governmental Funds .....                                                                                                                                                       | 18                  |
| Reconciliation of the Governmental Funds Statement of<br>Revenues, Expenditures, and Changes in Fund Balances<br>to the Statement of Activities .....                                                                                                 | 20                  |
| Statement of Net Position – Proprietary Funds .....                                                                                                                                                                                                   | 21                  |
| Statement of Revenues, Expenses, and Changes in Fund<br>Net Position – Proprietary Funds.....                                                                                                                                                         | 22                  |
| Statement of Cash Flows – Proprietary Funds .....                                                                                                                                                                                                     | 23                  |
| Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.....                                                                                                                                                                                  | 24                  |
| Notes to Financial Statements .....                                                                                                                                                                                                                   | 25                  |
| <b>OTHER REQUIRED SUPPLEMENTARY INFORMATION</b>                                                                                                                                                                                                       |                     |
| Budgetary Comparison Schedule – General and Major Special Revenue Funds.....                                                                                                                                                                          | 50                  |
| Schedule of Funding Progress – Other Postemployment Benefits Plan.....                                                                                                                                                                                | 52                  |
| Ten-Year Claims Development Information – Panhandle Area Educational Consortium – Risk<br>Management Consortium Property/Casualty Program .....                                                                                                       | 53                  |
| Notes to Required Supplementary Information.....                                                                                                                                                                                                      | 54                  |
| <b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....</b>                                                                                                                                                                                               | <b>56</b>           |
| <b>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER<br/>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS<br/>BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED<br/>IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>.....</b> | <b>57</b>           |
| <b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH<br/>MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER<br/>COMPLIANCE .....</b>                                                                                                         | <b>59</b>           |
| <b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....</b>                                                                                                                                                                                                 | <b>61</b>           |
| <b>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS.....</b>                                                                                                                                                                                 | <b>68</b>           |
| <b>EXHIBIT A MANAGEMENT'S RESPONSE .....</b>                                                                                                                                                                                                          | <b>69</b>           |

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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

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

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

### ADDITIONAL MATTERS

Finding No. 1: Controls over contractual services needed to be enhanced.

Finding No. 2: During the 2012-13 fiscal year, the District did not perform a tangible personal property inventory for 4 of 18 cost centers.

Finding No. 3: Controls over monitoring school bus drivers could be enhanced.

Finding No. 4: Controls over food service sales needed enhancement.

Finding No. 5: Controls over facilities construction and maintenance activities could be enhanced.

Finding No. 6: The District had not developed a written information technology (IT) security incident response plan.

Finding No. 7: District IT security controls needed improvement.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster, Career and Technical Education, Pell Grant, 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.

### Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2013-120.

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, 2013. We obtained

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

#### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington County District School Board, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 16 percent of the assets and 49 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based solely on the report of the other auditors.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments,

the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the Washington County District School Board as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Supplementary Information*

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. The **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** 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. Such 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 as a whole.

**Other Reporting Required by *Government Auditing Standards***

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

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
January 28, 2014

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The management of the Washington County District School Board has prepared the following discussion and analysis to provide an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2013. 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 2012-13 fiscal year are as follows:

- The District's total net position decreased by \$375,716.31, or 0.4 percent. This change was attributable to a decrease in the net position of governmental activities of \$698,363.94, or 1 percent, and an increase in the net position of business-type activities of \$322,647.63, or 2.4 percent.
- During the current fiscal year, General Fund expenditures exceeded revenues by \$268,706.40. This may be compared to last fiscal year's results in which General Fund expenditures exceeded revenues by \$403,379.04.

### OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

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

#### Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position 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 position provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. Assets less liabilities equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Business-type activities – These activities account for the financial resources of the Panhandle Area Educational Consortium (PAEC), the PAEC – Risk Management Consortium (RMC) Property/Casualty Program, a public entity risk pool, and the PAEC – RMC Health Program, for which the District is fiscal agent.

## Fund Financial Statements

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

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, for those enterprise funds determined to be major. The District's major enterprise funds are the PAEC – Risk Management Property/Casualty Fund, the PAEC – Risk Management Health Fund, the PAEC – Programs Other Than Risk Management – Federal Economic Stimulus Fund, and the PAEC – Programs Other Than Risk Management Fund. In addition, the internal service fund is a single, aggregated column in the proprietary fund financial statements.

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

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

### Notes to Financial Statements

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

### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide other postemployment benefits to its employees.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2013, compared to net position as of June 30, 2012:

|                                  | Net Position, End of Year |                        |                          |                        |                        |                        |
|----------------------------------|---------------------------|------------------------|--------------------------|------------------------|------------------------|------------------------|
|                                  | Governmental Activities   |                        | Business-Type Activities |                        | Total                  |                        |
|                                  | 6-30-13                   | 6-30-12                | 6-30-13                  | 6-30-12                | 6-30-13                | 6-30-12                |
| Current and Other Assets         | \$17,571,881.82           | \$18,979,125.38        | \$23,585,213.24          | \$21,844,381.65        | \$41,157,095.06        | \$40,823,507.03        |
| Capital Assets                   | 61,469,053.71             | 61,825,383.46          | 1,989,010.78             | 2,084,855.48           | 63,458,064.49          | 63,910,238.94          |
| <b>Total Assets</b>              | <b>79,040,935.53</b>      | <b>80,804,508.84</b>   | <b>25,574,224.02</b>     | <b>23,929,237.13</b>   | <b>104,615,159.55</b>  | <b>104,733,745.97</b>  |
| Long-Term Liabilities            | 7,560,426.20              | 6,864,111.25           | 6,411,133.64             | 6,445,060.53           | 13,971,559.84          | 13,309,171.78          |
| Other Liabilities                | 2,311,054.98              | 4,072,579.30           | 5,167,245.34             | 3,810,979.19           | 7,478,300.32           | 7,883,558.49           |
| <b>Total Liabilities</b>         | <b>9,871,481.18</b>       | <b>10,936,690.55</b>   | <b>11,578,378.98</b>     | <b>10,256,039.72</b>   | <b>21,449,860.16</b>   | <b>21,192,730.27</b>   |
| Net Position:                    |                           |                        |                          |                        |                        |                        |
| Net Investment in Capital Assets | 61,309,053.71             | 61,645,383.46          | 1,989,010.78             | 2,084,855.48           | 63,298,064.49          | 63,730,238.94          |
| Restricted                       | 6,876,743.80              | 6,658,424.56           |                          | 11,757,781.59          | 6,876,743.80           | 18,416,206.15          |
| Unrestricted (Deficit)           | 983,656.84                | 1,564,010.27           | 12,006,834.26            | (169,439.66)           | 12,990,491.10          | 1,394,570.61           |
| <b>Total Net Position</b>        | <b>\$69,169,454.35</b>    | <b>\$69,867,818.29</b> | <b>\$13,995,845.04</b>   | <b>\$13,673,197.41</b> | <b>\$83,165,299.39</b> | <b>\$83,541,015.70</b> |

The largest portion of the District's net position (76.1 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. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position (8.3 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (15.6 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all categories of net position for the governmental and business-type activities.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2013, and June 30, 2012, are as follows:

| Operating Results for the Fiscal Year Ended                          |                         |                         |                          |                         |                         |                         |
|----------------------------------------------------------------------|-------------------------|-------------------------|--------------------------|-------------------------|-------------------------|-------------------------|
|                                                                      | Governmental Activities |                         | Business-Type Activities |                         | Total                   |                         |
|                                                                      | 6-30-13                 | 6-30-12                 | 6-30-13                  | 6-30-12                 | 6-30-13                 | 6-30-12                 |
| Program Revenues:                                                    |                         |                         |                          |                         |                         |                         |
| Charges for Services                                                 | \$ 1,644,815.87         | \$ 1,634,613.26         | \$ 10,685,494.37         | \$ 9,240,405.49         | \$ 12,330,310.24        | \$ 10,875,018.75        |
| Operating Grants and Contributions                                   | 1,287,110.99            | 1,349,273.86            | 254,601.82               | 186,758.98              | 1,541,712.81            | 1,536,032.84            |
| Capital Grants and Contributions                                     | 240,234.66              | 141,706.96              |                          |                         | 240,234.66              | 141,706.96              |
| General Revenues:                                                    |                         |                         |                          |                         |                         |                         |
| Property Taxes, Levied for Operational Purposes                      | 5,840,058.69            | 5,840,052.68            |                          |                         | 5,840,058.69            | 5,840,052.68            |
| Property Taxes, Levied for Capital Projects                          | 1,422,292.53            | 1,344,275.76            |                          |                         | 1,422,292.53            | 1,344,275.76            |
| Grants and Contributions Not Restricted to Specific Programs         | 25,387,265.02           | 27,336,838.09           | 7,838,129.18             | 8,483,097.00            | 33,225,394.20           | 35,819,935.09           |
| Unrestricted Investment Earnings                                     | 81,125.81               | 65,886.34               | 99,937.83                | 80,253.96               | 181,063.64              | 146,140.30              |
| Miscellaneous                                                        | 642,726.81              | 971,962.37              | 192,484.48               | 381,395.20              | 835,211.29              | 1,353,357.57            |
| Gain on Sale of Assets                                               | 11,503.10               |                         |                          |                         | 11,503.10               |                         |
| <b>Total Revenues</b>                                                | <b>36,557,133.48</b>    | <b>38,684,609.32</b>    | <b>19,070,647.68</b>     | <b>18,371,910.63</b>    | <b>55,627,781.16</b>    | <b>57,056,519.95</b>    |
| Functions/Program Expenses:                                          |                         |                         |                          |                         |                         |                         |
| Instruction                                                          | 18,673,877.51           | 20,073,748.52           |                          |                         | 18,673,877.51           | 20,073,748.52           |
| Pupil Personnel Services                                             | 1,500,139.32            | 2,322,598.81            |                          |                         | 1,500,139.32            | 2,322,598.81            |
| Instructional Media Services                                         | 490,004.94              | 512,283.49              |                          |                         | 490,004.94              | 512,283.49              |
| Instruction and Curriculum Development Services                      | 346,202.20              | 367,294.90              |                          |                         | 346,202.20              | 367,294.90              |
| Instructional Staff Training Services                                | 859,149.99              | 730,953.09              |                          |                         | 859,149.99              | 730,953.09              |
| Instruction Related Technology                                       | 469,042.21              | 500,039.30              |                          |                         | 469,042.21              | 500,039.30              |
| School Board                                                         | 466,503.18              | 412,530.60              |                          |                         | 466,503.18              | 412,530.60              |
| General Administration                                               | 357,658.05              | 381,892.53              |                          |                         | 357,658.05              | 381,892.53              |
| School Administration                                                | 2,497,797.71            | 2,679,793.66            |                          |                         | 2,497,797.71            | 2,679,793.66            |
| Fiscal Services                                                      | 492,173.36              | 532,941.02              |                          |                         | 492,173.36              | 532,941.02              |
| Food Services                                                        | 1,727,622.50            | 1,774,611.64            |                          |                         | 1,727,622.50            | 1,774,611.64            |
| Central Services                                                     | 341,533.19              | 222,949.25              |                          |                         | 341,533.19              | 222,949.25              |
| Pupil Transportation Services                                        | 2,440,436.84            | 2,680,075.77            |                          |                         | 2,440,436.84            | 2,680,075.77            |
| Operation of Plant                                                   | 2,110,210.10            | 2,389,509.01            |                          |                         | 2,110,210.10            | 2,389,509.01            |
| Maintenance of Plant                                                 | 848,695.40              | 821,559.30              |                          |                         | 848,695.40              | 821,559.30              |
| Administrative Technology Services                                   | 249,553.61              | 183,115.65              |                          |                         | 249,553.61              | 183,115.65              |
| Community Services                                                   | 1,125,694.81            | 1,589,311.33            |                          |                         | 1,125,694.81            | 1,589,311.33            |
| Unallocated Interest on Long-Term Debt                               | 10,076.32               | 10,020.54               |                          |                         | 10,076.32               | 10,020.54               |
| Unallocated Depreciation Expense                                     | 2,233,461.32            | 2,156,603.63            |                          |                         | 2,233,461.32            | 2,156,603.63            |
| Loss on Disposal of Capital Assets                                   |                         | 27,816.40               |                          |                         |                         | 27,816.40               |
| PAEC Risk Management Property/Casualty                               |                         |                         | 7,718,009.99             | 7,544,691.94            | 7,718,009.99            | 7,544,691.94            |
| PAEC Risk Management Health                                          |                         |                         | 156,840.45               | 73,438.38               | 156,840.45              | 73,438.38               |
| PAEC Programs Other Than Risk Management - Federal Economic Stimulus |                         |                         | 2,608,859.31             | 2,125,537.80            | 2,608,859.31            | 2,125,537.80            |
| PAEC Programs Other Than Risk Management                             |                         |                         | 8,279,955.16             | 8,564,654.08            | 8,279,955.16            | 8,564,654.08            |
| <b>Total Functions/Program Expenses</b>                              | <b>37,239,832.56</b>    | <b>40,369,648.44</b>    | <b>18,763,664.91</b>     | <b>18,308,322.20</b>    | <b>56,003,497.47</b>    | <b>58,677,970.64</b>    |
| <b>Excess (Deficiency) Before Transfers</b>                          | <b>(682,699.08)</b>     | <b>(1,685,039.12)</b>   | <b>306,982.77</b>        | <b>63,588.43</b>        | <b>(375,716.31)</b>     | <b>(1,621,450.69)</b>   |
| Transfer In (Out)                                                    | (15,664.86)             | (92,126.28)             | 15,664.86                | 92,126.28               |                         |                         |
| <b>Change in Net Position</b>                                        | <b>(698,363.94)</b>     | <b>(1,777,165.40)</b>   | <b>322,647.63</b>        | <b>155,714.71</b>       | <b>(375,716.31)</b>     | <b>(1,621,450.69)</b>   |
| Net Position - Beginning                                             | 69,867,818.29           | 71,644,983.69           | 13,673,197.41            | 14,435,887.33           | 83,541,015.70           | 86,080,871.02           |
| Adjustment to Beginning Net Position                                 |                         |                         |                          | (918,404.63)            |                         | (918,404.63)            |
| <b>Net Position - Beginning - Restated</b>                           | <b>69,867,818.29</b>    | <b>71,644,983.69</b>    | <b>13,673,197.41</b>     | <b>13,517,482.70</b>    | <b>83,541,015.70</b>    | <b>85,162,466.39</b>    |
| <b>Net Position - Ending</b>                                         | <b>\$ 69,169,454.35</b> | <b>\$ 69,867,818.29</b> | <b>\$ 13,995,845.04</b>  | <b>\$ 13,673,197.41</b> | <b>\$ 83,165,299.39</b> | <b>\$ 83,541,015.70</b> |

The largest revenue source for governmental activities is the State of Florida (59 percent). 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.

Grants and contributions not restricted to specific programs for governmental activities decreased \$1,949,573.07 or 7.1 percent mainly because the District is no longer fiscal agent of the Chipola Workforce Board, effective July 2012, and decreased funding of Federal Pell and Title I programs.

Charges for services for business-type activities increased \$1,445,088.88 or 15.6 percent due, in part, to increased premium assessments for member districts in the PAEC – Risk Management Property/Casualty Fund. The increase is also attributed to charges during the 2012-13 fiscal year for FOCUS software costs prorated to participating districts and member service fees assessed to participating districts in the PAEC - Other Than Risk Management Fund.

Instruction expenses represent 50.1 percent of total governmental activities' expenses for the 2012-13 fiscal year. Instruction expenses decreased by \$1,399,871.01 or 7 percent from reduced expenses for salaries and benefits, non-capitalizable instructional technology equipment, and purchased services.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds decreased by \$43,034.32 during the fiscal year to \$13,840,615.74 at June 30, 2013. Approximately 12.3 percent of this amount is unassigned fund balance (\$1,696,063.10), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or committed to indicate that it is 1) not in spendable form (\$107,403.24), 2) restricted for particular purposes (\$6,857,249.45), or 3) committed for particular purposes (\$5,179,899.95).

### Major Governmental Funds

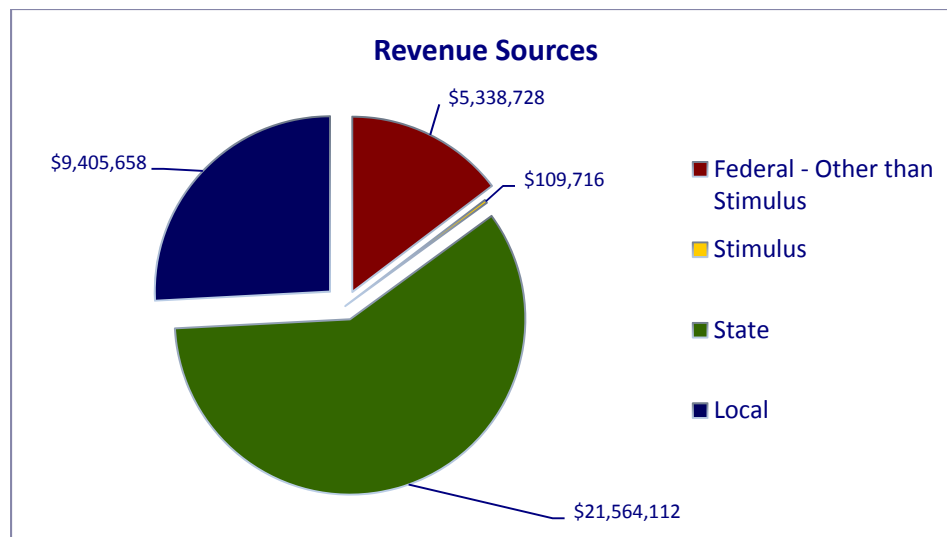
The following indicates the District's governmental fund balances by category for the General Fund, which is the District's chief operating fund:

- *Nonspendable:* The nonspendable fund balance at June 30, 2013, is \$87,908.89. This amount is for investments in the Fund B Surplus Funds Trust Fund, which is not subject to participant withdrawal requests.
- *Restricted:* The total restricted fund balance at June 30, 2013, is \$5,136,304.52, which consists of State required carryover programs, \$3,845,748.49; workforce development, \$1,186,605.41; other required carryover programs, \$63,475.14; and Public Education Capital Outlay maintenance, \$40,475.48.
- *Committed:* Funds totaling \$5,179,899.95 are committed for compensated absences, contract school carryovers, cost center carryovers, project carryovers, and environmental cleanup.
- *Unassigned:* The unassigned fund balance is \$1,696,063.10 at June 30, 2013.

The overall net position in the General Fund increased \$293,613.70, mainly as a result of less funds transferred out for the energy conservation project at the vocational center which was completed in the 2012-13 fiscal year.

The Special Revenue – Other Fund and the Special Revenue - Federal Economic Stimulus Fund have zero fund balances at the end of the current fiscal year. The District used these funds to account for certain Federal grant program resources. Since Federal revenue is recognized to the extent that eligible expenditures have been incurred, these funds generally do not accumulate a fund balance. Revenues and expenditures of the Special Revenue – Other Fund total \$3,904,688.30 each, representing decreases of \$2,007,937.48 each from the prior fiscal year. The decreases occurred primarily because, as previously discussed, the District is no longer fiscal agent of the Chipola Workforce Board and decreased funding of Federal Pell and Title I programs. Revenues and expenditures of the Special Revenue – Federal Economic Stimulus Fund total \$109,716.53 each, representing decreases of \$160,319.86 each from the prior fiscal year mainly from Federal economic stimulus funding reductions.

The following chart indicates the sources of revenues for the District's governmental activities for the 2012-13 fiscal year.



### Proprietary Funds

The net position of the PAEC – Risk Management Property/Casualty Fund totals \$12,108,221.19 at June 30, 2013, an increase of \$396,550 from the previous fiscal year. The increase was primarily due to an increase in premium revenue.

The net position of the PAEC – Risk Management Health Fund decreased \$48,572.06 from the previous fiscal year. The decrease was due to a dividend distribution during the 2012-13 fiscal year to the 2011-12 fiscal year participating districts.

The net position of the PAEC – Programs Other Than Risk Management – Federal Economic Stimulus Fund is \$31,150.22, and classified as net investment in capital assets. The District used these funds to account for Federal Stimulus program resources received by the PAEC.

The net position of the PAEC – Programs Other Than Risk Management Fund totals \$1,851,648.48, which did not significantly change from the previous fiscal year.

### GENERAL FUND BUDGETARY HIGHLIGHTS

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

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

Major capital asset events included the following:

- The District completed the energy conservation equipment and facility upgrades at the Washington-Holmes Technical Center.
- The District incurred architectural fees of \$296,460 for the design of a new elementary school.

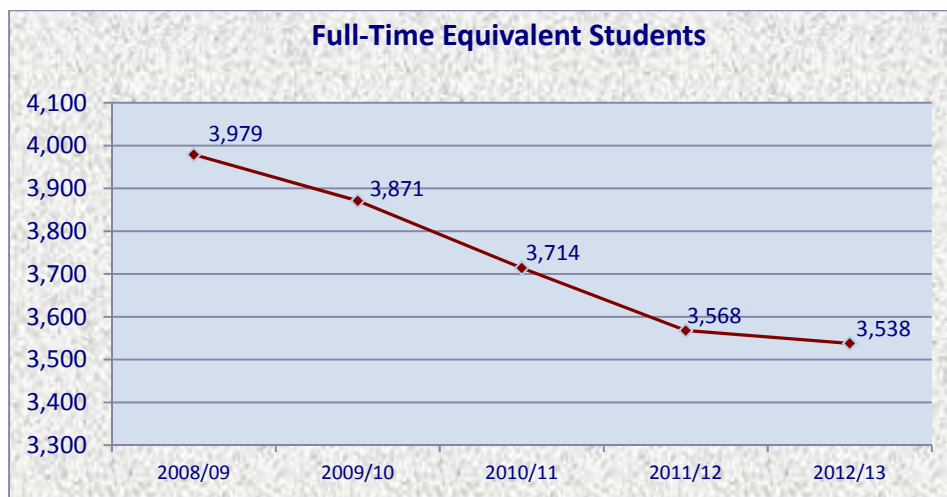
Additional information on the District's capital assets can be found in notes I.F.4, II.C, and II.F to the financial statements.

### Long-Term Debt

The District did not issue any long-term debt during the 2012-13 fiscal year. Additional information on the District's long-term debt can be found in note II.I to the financial statements.

## OTHER MATTERS OF SIGNIFICANCE

- *Student Enrollment and Funding:* State revenues comprise 73 percent of total available General Fund resources of the District. Revenues from State sources are primarily from the FEFP administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this statute, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department
- *Full-Time Equivalent Students:* The following chart reflects the trend of FTE for the last five fiscal years. Since the 2008-09 fiscal year, the District's FTE has been in a steady state of decline. The 2012-13 fiscal year FTE count is down 441 from the 2008-09 fiscal year count.



## REQUESTS FOR INFORMATION

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

# BASIC FINANCIAL STATEMENTS

## WASHINGTON COUNTY DISTRICT SCHOOL BOARD STATEMENT OF NET POSITION June 30, 2013

|                                             | Governmental<br>Activities | Business-Type<br>Activities | Total                   |
|---------------------------------------------|----------------------------|-----------------------------|-------------------------|
| <b>ASSETS</b>                               |                            |                             |                         |
| Cash and Cash Equivalents                   | \$ 14,154,187.81           | \$ 22,439,284.59            | \$ 36,593,472.40        |
| Investments                                 | 112,513.68                 | 192,520.80                  | 305,034.48              |
| Accounts Receivable                         | 192,032.63                 | 186,511.80                  | 378,544.43              |
| Internal Balances                           | 849,901.22                 | (849,901.22)                |                         |
| Due from Other Agencies                     | 2,214,334.48               | 775,090.70                  | 2,989,425.18            |
| Due from Excess Insurer                     | 48,912.00                  | 838,884.11                  | 887,796.11              |
| Inventories                                 |                            | 2,822.46                    | 2,822.46                |
| Capital Assets:                             |                            |                             |                         |
| Nondepreciable Capital Assets               | 2,332,056.32               | 665,380.10                  | 2,997,436.42            |
| Depreciable Capital Assets, Net             | 59,136,997.39              | 1,323,630.68                | 60,460,628.07           |
| <b>TOTAL ASSETS</b>                         | <b>79,040,935.53</b>       | <b>25,574,224.02</b>        | <b>104,615,159.55</b>   |
| <b>LIABILITIES</b>                          |                            |                             |                         |
| Salaries and Benefits Payable               | 560,490.84                 |                             | 560,490.84              |
| Payroll Deductions and Withholdings         | 297,787.23                 |                             | 297,787.23              |
| Accounts Payable                            | 1,097,431.36               | 1,066,234.64                | 2,163,666.00            |
| Due to Other Agencies                       | 7,357.28                   | 4,074,370.53                | 4,081,727.81            |
| Deposits Payable                            | 390.00                     |                             | 390.00                  |
| Unearned Revenue                            | 87,503.27                  | 26,640.17                   | 114,143.44              |
| Estimated Insurance Claims Payable          | 260,095.00                 |                             | 260,095.00              |
| Long-Term Liabilities:                      |                            |                             |                         |
| Portion Due Within One Year                 | 188,780.85                 | 2,147,749.11                | 2,336,529.96            |
| Portion Due After One Year                  | 7,371,645.35               | 4,263,384.53                | 11,635,029.88           |
| <b>TOTAL LIABILITIES</b>                    | <b>9,871,481.18</b>        | <b>11,578,378.98</b>        | <b>21,449,860.16</b>    |
| <b>NET POSITION</b>                         |                            |                             |                         |
| Net Investment in Capital Assets            | 61,309,053.71              | 1,989,010.78                | 63,298,064.49           |
| Restricted for:                             |                            |                             |                         |
| State Required Carryover Programs           | 3,845,748.49               |                             | 3,845,748.49            |
| Debt Service                                | 5,110.44                   |                             | 5,110.44                |
| Capital Projects                            | 1,575,869.09               |                             | 1,575,869.09            |
| Food Service                                | 159,459.75                 |                             | 159,459.75              |
| Workforce Development                       | 1,186,605.41               |                             | 1,186,605.41            |
| Public Education Capital Outlay Maintenance | 40,475.48                  |                             | 40,475.48               |
| Other Required Carryover Programs           | 63,475.14                  |                             | 63,475.14               |
| Unrestricted                                | 983,656.84                 | 12,006,834.26               | 12,990,491.10           |
| <b>TOTAL NET POSITION</b>                   | <b>\$ 69,169,454.35</b>    | <b>\$ 13,995,845.04</b>     | <b>\$ 83,165,299.39</b> |

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

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2013**

| Functions/Programs                                                     | Expenses                | Program Revenues           |                                          |                                        |
|------------------------------------------------------------------------|-------------------------|----------------------------|------------------------------------------|----------------------------------------|
|                                                                        |                         | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Governmental Activities:</b>                                        |                         |                            |                                          |                                        |
| Instruction                                                            | \$ 18,673,877.51        | \$ 1,113,459.04            | \$                                       | \$                                     |
| Pupil Personnel Services                                               | 1,500,139.32            |                            |                                          |                                        |
| Instructional Media Services                                           | 490,004.94              |                            |                                          |                                        |
| Instruction and Curriculum Development Services                        | 346,202.20              |                            |                                          |                                        |
| Instructional Staff Training Services                                  | 859,149.99              |                            |                                          |                                        |
| Instruction Related Technology                                         | 469,042.21              |                            |                                          |                                        |
| School Board                                                           | 466,503.18              |                            |                                          |                                        |
| General Administration                                                 | 357,658.05              |                            |                                          |                                        |
| School Administration                                                  | 2,497,797.71            |                            |                                          |                                        |
| Facilities Acquisition and Construction                                |                         |                            |                                          | 209,695.73                             |
| Fiscal Services                                                        | 492,173.36              |                            |                                          |                                        |
| Food Services                                                          | 1,727,622.50            | 413,305.11                 | 1,287,110.99                             |                                        |
| Central Services                                                       | 341,533.19              |                            |                                          |                                        |
| Pupil Transportation Services                                          | 2,440,436.84            | 118,051.72                 |                                          |                                        |
| Operation of Plant                                                     | 2,110,210.10            |                            |                                          |                                        |
| Maintenance of Plant                                                   | 848,695.40              |                            |                                          |                                        |
| Administrative Technology Services                                     | 249,553.61              |                            |                                          |                                        |
| Community Services                                                     | 1,125,694.81            |                            |                                          |                                        |
| Unallocated Interest on Long-Term Debt                                 | 10,076.32               |                            |                                          |                                        |
| Unallocated Depreciation Expense*                                      | 2,233,461.32            |                            |                                          | 30,538.93                              |
| <b>Total Governmental Activities</b>                                   | <b>37,239,832.56</b>    | <b>1,644,815.87</b>        | <b>1,287,110.99</b>                      | <b>240,234.66</b>                      |
| <b>Business-Type Activities:</b>                                       |                         |                            |                                          |                                        |
| PAEC - Risk Management Property/Casualty                               | 7,718,009.99            | 8,024,226.00               |                                          |                                        |
| PAEC - Risk Management Health                                          | 156,840.45              |                            | 108,717.00                               |                                        |
| PAEC - Programs Other Than Risk Management - Federal Economic Stimulus | 2,608,859.31            |                            |                                          |                                        |
| PAEC - Programs Other Than Risk Management                             | 8,279,955.16            | 2,661,268.37               | 145,884.82                               |                                        |
| <b>Total Business-Type Activities</b>                                  | <b>18,763,664.91</b>    | <b>10,685,494.37</b>       | <b>254,601.82</b>                        |                                        |
| <b>Total Governmental and Business-Type Activities</b>                 | <b>\$ 56,003,497.47</b> | <b>\$ 12,330,310.24</b>    | <b>\$ 1,541,712.81</b>                   | <b>\$ 240,234.66</b>                   |

## General Revenues:

## Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Gain on Disposal of Capital Assets

Transfers

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

Net Position - Beginning

**Net Position - 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 Position |                             |                         |
|---------------------------------------------------|-----------------------------|-------------------------|
| Governmental<br>Activities                        | Business-Type<br>Activities | Total                   |
| \$ (17,560,418.47)                                | \$                          | \$ (17,560,418.47)      |
| (1,500,139.32)                                    |                             | (1,500,139.32)          |
| (490,004.94)                                      |                             | (490,004.94)            |
| (346,202.20)                                      |                             | (346,202.20)            |
| (859,149.99)                                      |                             | (859,149.99)            |
| (469,042.21)                                      |                             | (469,042.21)            |
| (466,503.18)                                      |                             | (466,503.18)            |
| (357,658.05)                                      |                             | (357,658.05)            |
| (2,497,797.71)                                    |                             | (2,497,797.71)          |
| 209,695.73                                        |                             | 209,695.73              |
| (492,173.36)                                      |                             | (492,173.36)            |
| (27,206.40)                                       |                             | (27,206.40)             |
| (341,533.19)                                      |                             | (341,533.19)            |
| (2,322,385.12)                                    |                             | (2,322,385.12)          |
| (2,110,210.10)                                    |                             | (2,110,210.10)          |
| (848,695.40)                                      |                             | (848,695.40)            |
| (249,553.61)                                      |                             | (249,553.61)            |
| (1,125,694.81)                                    |                             | (1,125,694.81)          |
| (10,076.32)                                       |                             | (10,076.32)             |
| (2,202,922.39)                                    |                             | (2,202,922.39)          |
| <u>(34,067,671.04)</u>                            |                             | <u>(34,067,671.04)</u>  |
|                                                   | 306,216.01                  | 306,216.01              |
|                                                   | (48,123.45)                 | (48,123.45)             |
|                                                   | (2,608,859.31)              | (2,608,859.31)          |
|                                                   | (5,472,801.97)              | (5,472,801.97)          |
|                                                   | <u>(7,823,568.72)</u>       | <u>(7,823,568.72)</u>   |
| <u>(34,067,671.04)</u>                            | <u>(7,823,568.72)</u>       | <u>(41,891,239.76)</u>  |
| 5,840,058.69                                      |                             | 5,840,058.69            |
| 1,422,292.53                                      |                             | 1,422,292.53            |
| 25,387,265.02                                     | 7,838,129.18                | 33,225,394.20           |
| 81,125.81                                         | 99,937.83                   | 181,063.64              |
| 642,726.81                                        | 192,484.48                  | 835,211.29              |
| 11,503.10                                         |                             | 11,503.10               |
| (15,664.86)                                       | 15,664.86                   |                         |
| <u>33,369,307.10</u>                              | <u>8,146,216.35</u>         | <u>41,515,523.45</u>    |
| (698,363.94)                                      | 322,647.63                  | (375,716.31)            |
| <u>69,867,818.29</u>                              | <u>13,673,197.41</u>        | <u>83,541,015.70</u>    |
| <u>\$ 69,169,454.35</u>                           | <u>\$ 13,995,845.04</u>     | <u>\$ 83,165,299.39</u> |

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2013**

|                                             | General<br>Fund                | Special<br>Revenue -<br>Other<br>Fund | Special<br>Revenue -<br>Federal Economic<br>Stimulus Fund |
|---------------------------------------------|--------------------------------|---------------------------------------|-----------------------------------------------------------|
|                                             | <u>                    </u>    | <u>                    </u>           | <u>                    </u>                               |
| <b>ASSETS</b>                               |                                |                                       |                                                           |
| Cash and Cash Equivalents                   | \$ 12,461,800.27               | \$ 629.51                             | \$                                                        |
| Investments                                 | 87,908.89                      |                                       |                                                           |
| Accounts Receivable                         | 191,978.13                     | 54.50                                 |                                                           |
| Due from Other Funds                        | 705,490.02                     |                                       |                                                           |
| Due from Other Agencies                     | 198,181.69                     | 1,835,400.41                          | 20,083.55                                                 |
|                                             | <u>                    </u>    | <u>                    </u>           | <u>                    </u>                               |
| <b>TOTAL ASSETS</b>                         | <u><u>\$ 13,645,359.00</u></u> | <u><u>\$ 1,836,084.42</u></u>         | <u><u>\$ 20,083.55</u></u>                                |
| <b>LIABILITIES AND FUND BALANCES</b>        |                                |                                       |                                                           |
| Liabilities:                                |                                |                                       |                                                           |
| Salaries and Benefits Payable               | \$ 560,490.84                  | \$                                    | \$                                                        |
| Payroll Deductions and Withholdings         | 297,787.23                     |                                       |                                                           |
| Accounts Payable                            | 585,694.29                     | 90,828.48                             | 18,213.00                                                 |
| Due to Other Funds                          | 91,387.59                      | 1,745,010.94                          | 1,870.55                                                  |
| Due to Other Agencies                       | 7,357.28                       |                                       |                                                           |
| Deposits Payable                            | 390.00                         |                                       |                                                           |
| Unearned Revenue                            | 2,075.31                       | 245.00                                |                                                           |
|                                             | <u>                    </u>    | <u>                    </u>           | <u>                    </u>                               |
| <b>Total Liabilities</b>                    | <u>1,545,182.54</u>            | <u>1,836,084.42</u>                   | <u>20,083.55</u>                                          |
| Fund Balances:                              |                                |                                       |                                                           |
| Nonspendable:                               |                                |                                       |                                                           |
| Fund B Investments                          | 87,908.89                      |                                       |                                                           |
| Restricted for:                             |                                |                                       |                                                           |
| State Required Carryover Programs           | 3,845,748.49                   |                                       |                                                           |
| Debt Service                                |                                |                                       |                                                           |
| Capital Projects                            |                                |                                       |                                                           |
| Food Service                                |                                |                                       |                                                           |
| Workforce Development                       | 1,186,605.41                   |                                       |                                                           |
| Public Education Capital Outlay Maintenance | 40,475.48                      |                                       |                                                           |
| Other Required Carryovers Programs          | 63,475.14                      |                                       |                                                           |
| Total Restricted Fund Balance               | <u>5,136,304.52</u>            |                                       |                                                           |
| Committed for:                              |                                |                                       |                                                           |
| Compensated Absences                        | 2,891,117.99                   |                                       |                                                           |
| Contract School Carryovers                  | 1,064,376.88                   |                                       |                                                           |
| Cost Center Carryovers                      | 446,437.71                     |                                       |                                                           |
| Project Carryovers                          | 577,967.37                     |                                       |                                                           |
| Environmental Cleanup                       | 200,000.00                     |                                       |                                                           |
| Total Committed Fund Balance                | <u>5,179,899.95</u>            |                                       |                                                           |
| Unassigned Fund Balance                     | <u>1,696,063.10</u>            |                                       |                                                           |
|                                             | <u>                    </u>    |                                       |                                                           |
| <b>Total Fund Balances</b>                  | <u>12,100,176.46</u>           |                                       |                                                           |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>  | <u><u>\$ 13,645,359.00</u></u> | <u><u>\$ 1,836,084.42</u></u>         | <u><u>\$ 20,083.55</u></u>                                |

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

| Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------|--------------------------------|
| <u>                    </u>    | <u>                    </u>    |
| \$ 1,691,758.03                | \$ 14,154,187.81               |
| 24,604.79                      | 112,513.68                     |
|                                | 192,032.63                     |
|                                | 705,490.02                     |
| <u>160,668.83</u>              | <u>2,214,334.48</u>            |
| <u>\$ 1,877,031.65</u>         | <u>\$ 17,378,558.62</u>        |
|                                |                                |
| \$                             | \$ 560,490.84                  |
|                                | 297,787.23                     |
| 14,139.41                      | 708,875.18                     |
| 37,270.00                      | 1,875,539.08                   |
|                                | 7,357.28                       |
|                                | 390.00                         |
| <u>85,182.96</u>               | <u>87,503.27</u>               |
| <u>136,592.37</u>              | <u>3,537,942.88</u>            |
|                                |                                |
| <u>19,494.35</u>               | <u>107,403.24</u>              |
|                                | 3,845,748.49                   |
| 5,110.44                       | 5,110.44                       |
| 1,556,374.74                   | 1,556,374.74                   |
| 159,459.75                     | 159,459.75                     |
|                                | 1,186,605.41                   |
|                                | 40,475.48                      |
|                                | 63,475.14                      |
| <u>1,720,944.93</u>            | <u>6,857,249.45</u>            |
|                                | 2,891,117.99                   |
|                                | 1,064,376.88                   |
|                                | 446,437.71                     |
|                                | 577,967.37                     |
|                                | 200,000.00                     |
| <u>                    </u>    | <u>5,179,899.95</u>            |
| <u>                    </u>    | <u>1,696,063.10</u>            |
| <u>1,740,439.28</u>            | <u>13,840,615.74</u>           |
| <u>\$ 1,877,031.65</u>         | <u>\$ 17,378,558.62</u>        |

WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2013

|                                                 |                  |
|-------------------------------------------------|------------------|
| <b>Total Fund Balances - Governmental Funds</b> | \$ 13,840,615.74 |
|-------------------------------------------------|------------------|

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

|                                                                                                                                                                                    |               |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 61,469,053.71 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|

|                                                                                                                                                                                                                                                                    |              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. | 1,420,211.10 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|

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

|                                       |               |                |
|---------------------------------------|---------------|----------------|
| Bonds Payable                         | \$ 160,000.00 |                |
| Compensated Absences Payable          | 3,527,350.20  |                |
| Other Postemployment Benefits Payable | 3,873,076.00  |                |
|                                       |               | (7,560,426.20) |

|                                               |                         |
|-----------------------------------------------|-------------------------|
| <b>Net Position - Governmental Activities</b> | <b>\$ 69,169,454.35</b> |
|-----------------------------------------------|-------------------------|

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

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WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2013

|                                                          | General<br>Fund  | Special<br>Revenue -<br>Other<br>Fund | Special<br>Revenue -<br>Federal Economic<br>Stimulus Fund |
|----------------------------------------------------------|------------------|---------------------------------------|-----------------------------------------------------------|
| <b>Revenues</b>                                          |                  |                                       |                                                           |
| Intergovernmental:                                       |                  |                                       |                                                           |
| Federal Direct                                           | \$ 113,880.70    | \$ 1,007,774.74                       | \$                                                        |
| Federal Through State and Local                          | 157,384.16       | 2,798,967.75                          | 109,716.53                                                |
| State                                                    | 21,201,520.09    | 97,945.81                             |                                                           |
| Local:                                                   |                  |                                       |                                                           |
| Property Taxes                                           | 5,840,058.69     |                                       |                                                           |
| Charges for Services - Food Service                      |                  |                                       |                                                           |
| Miscellaneous                                            | 1,720,223.63     |                                       |                                                           |
| Total Local Revenues                                     | 7,560,282.32     |                                       |                                                           |
| <b>Total Revenues</b>                                    | 29,033,067.27    | 3,904,688.30                          | 109,716.53                                                |
| <b>Expenditures</b>                                      |                  |                                       |                                                           |
| Current - Education:                                     |                  |                                       |                                                           |
| Instruction                                              | 16,874,835.59    | 1,457,772.89                          | 32,080.81                                                 |
| Pupil Personnel Services                                 | 1,098,268.19     | 376,071.86                            |                                                           |
| Instructional Media Services                             | 506,867.28       |                                       |                                                           |
| Instruction and Curriculum Development Services          | 275,892.70       | 81,397.05                             |                                                           |
| Instructional Staff Training Services                    | 212,502.46       | 593,313.41                            | 51,003.63                                                 |
| Instruction Related Technology                           | 457,904.11       |                                       |                                                           |
| School Board                                             | 465,719.57       |                                       |                                                           |
| General Administration                                   | 294,531.25       | 54,523.41                             | 1,607.53                                                  |
| School Administration                                    | 2,493,693.66     |                                       |                                                           |
| Fiscal Services                                          | 475,853.67       |                                       |                                                           |
| Food Services                                            | 1,025.57         |                                       |                                                           |
| Central Services                                         | 339,635.97       |                                       | 8,763.56                                                  |
| Pupil Transportation Services                            | 2,025,590.42     |                                       |                                                           |
| Operation of Plant                                       | 2,105,879.25     | 4,100.71                              |                                                           |
| Maintenance of Plant                                     | 840,615.39       |                                       |                                                           |
| Administrative Technology Services                       | 248,055.54       |                                       |                                                           |
| Community Services                                       | 61,929.02        | 1,063,765.79                          |                                                           |
| Fixed Capital Outlay:                                    |                  |                                       |                                                           |
| Facilities Acquisition and Construction                  | 343,978.33       |                                       |                                                           |
| Other Capital Outlay                                     | 178,995.70       | 273,743.18                            | 16,261.00                                                 |
| Debt Service:                                            |                  |                                       |                                                           |
| Principal                                                |                  |                                       |                                                           |
| Interest and Fiscal Charges                              |                  |                                       |                                                           |
| <b>Total Expenditures</b>                                | 29,301,773.67    | 3,904,688.30                          | 109,716.53                                                |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | (268,706.40)     |                                       |                                                           |
| <b>Other Financing Sources (Uses)</b>                    |                  |                                       |                                                           |
| Transfers In                                             | 541,815.17       |                                       |                                                           |
| Proceeds from Sale of Capital Assets                     | 20,863.75        |                                       |                                                           |
| Insurance Loss Recoveries                                | 15,306.04        |                                       |                                                           |
| Transfers Out                                            | (15,664.86)      |                                       |                                                           |
| <b>Total Other Financing Sources (Uses)</b>              | 562,320.10       |                                       |                                                           |
| <b>Net Change in Fund Balances</b>                       | 293,613.70       |                                       |                                                           |
| Fund Balances, Beginning                                 | 11,806,562.76    |                                       |                                                           |
| <b>Fund Balances, Ending</b>                             | \$ 12,100,176.46 | \$ 0.00                               | \$ 0.00                                                   |

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

| Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------|--------------------------------|
| <u>                    </u>    | <u>                    </u>    |
| \$                             | \$                             |
| 1,260,720.99                   | 1,121,655.44                   |
| 264,645.71                     | 4,326,789.43                   |
|                                | 21,564,111.61                  |
| 1,422,292.53                   | 7,262,351.22                   |
| 413,305.11                     | 413,305.11                     |
| 9,777.88                       | 1,730,001.51                   |
| <u>1,845,375.52</u>            | <u>9,405,657.84</u>            |
| <u>3,370,742.22</u>            | <u>36,418,214.32</u>           |
|                                | 18,364,689.29                  |
|                                | 1,474,340.05                   |
|                                | 506,867.28                     |
|                                | 357,289.75                     |
|                                | 856,819.50                     |
|                                | 457,904.11                     |
|                                | 465,719.57                     |
|                                | 350,662.19                     |
|                                | 2,493,693.66                   |
|                                | 475,853.67                     |
| 1,722,485.25                   | 1,723,510.82                   |
|                                | 348,399.53                     |
|                                | 2,025,590.42                   |
|                                | 2,109,979.96                   |
|                                | 840,615.39                     |
|                                | 248,055.54                     |
|                                | 1,125,694.81                   |
| 876,907.50                     | 1,220,885.83                   |
| 536,106.00                     | 1,005,105.88                   |
| 20,000.00                      | 20,000.00                      |
| <u>10,076.32</u>               | <u>10,076.32</u>               |
| <u>3,165,575.07</u>            | <u>36,481,753.57</u>           |
| <u>205,167.15</u>              | <u>(63,539.25)</u>             |
|                                | 541,815.17                     |
|                                | 20,863.75                      |
|                                | 15,306.04                      |
| <u>(541,815.17)</u>            | <u>(557,480.03)</u>            |
| <u>(541,815.17)</u>            | <u>20,504.93</u>               |
| (336,648.02)                   | (43,034.32)                    |
| <u>2,077,087.30</u>            | <u>13,883,650.06</u>           |
| <u>\$ 1,740,439.28</u>         | <u>\$ 13,840,615.74</u>        |

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2013**

**Net Change in Fund Balances - Governmental Funds** \$ (43,034.32)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (346,969.10)

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of capital assets was recognized as an expenditure in the year purchased. Thus, the change in net position differs from the change in the fund balance by the undepreciated cost of the disposed assets. (9,360.65)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current fiscal year. 20,000.00

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year. (85,607.95)

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. (630,707.00)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of the internal service fund is reported with governmental activities. 397,315.08

**Change in Net Position - Governmental Activities** \$ (698,363.94)

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

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET POSITION -  
PROPRIETARY FUNDS  
June 30, 2013**

|                                           | Business-Type Activities - Enterprise Funds    |                                     |                                                                                       |                                                     | Total                   | Governmental<br>Activities -<br>Internal<br>Service<br>Fund |
|-------------------------------------------|------------------------------------------------|-------------------------------------|---------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------|-------------------------------------------------------------|
|                                           | PAEC -<br>Risk Management<br>Property/Casualty | PAEC -<br>Risk Management<br>Health | PAEC -<br>Programs Other<br>Than Risk<br>Management -<br>Federal Economic<br>Stimulus | PAEC -<br>Programs Other<br>Than Risk<br>Management |                         |                                                             |
| <b>ASSETS</b>                             |                                                |                                     |                                                                                       |                                                     |                         |                                                             |
| Current Assets:                           |                                                |                                     |                                                                                       |                                                     |                         |                                                             |
| Cash and Cash Equivalents                 | \$ 16,052,686.45                               | \$ 5,102,076.72                     | \$ 383.02                                                                             | \$ 1,284,138.40                                     | \$ 22,439,284.59        | \$                                                          |
| Investments                               | 149,754.95                                     | 20,541.96                           |                                                                                       | 22,223.89                                           | 192,520.80              |                                                             |
| Accounts Receivable                       | 17,974.84                                      |                                     |                                                                                       | 168,536.96                                          | 186,511.80              |                                                             |
| Due from Other Funds                      |                                                |                                     | 932,442.81                                                                            | 284,554.91                                          | 1,216,997.72            | 2,019,950.28                                                |
| Due from Other Agencies                   |                                                | 563,739.78                          |                                                                                       | 211,350.92                                          | 775,090.70              |                                                             |
| Due from Excess Insurer                   | 838,884.11                                     |                                     |                                                                                       |                                                     | 838,884.11              | 48,912.00                                                   |
| Inventories                               |                                                |                                     |                                                                                       | 2,822.46                                            | 2,822.46                |                                                             |
| <b>Total Current Assets</b>               | <b>17,059,300.35</b>                           | <b>5,686,358.46</b>                 | <b>932,825.83</b>                                                                     | <b>1,973,627.54</b>                                 | <b>25,652,112.18</b>    | <b>2,068,862.28</b>                                         |
| Noncurrent Assets:                        |                                                |                                     |                                                                                       |                                                     |                         |                                                             |
| Land                                      |                                                |                                     |                                                                                       | 665,380.10                                          | 665,380.10              |                                                             |
| Improvements Other Than Buildings, Net    |                                                |                                     |                                                                                       | 172,715.39                                          | 172,715.39              |                                                             |
| Buildings and Fixed Equipment, Net        |                                                |                                     |                                                                                       | 959,730.42                                          | 959,730.42              |                                                             |
| Furniture, Fixtures, and Equipment, Net   | 2,263.16                                       | 1,447.90                            | 31,150.22                                                                             | 153,683.17                                          | 188,544.45              |                                                             |
| Computer Software, Net                    |                                                |                                     |                                                                                       | 2,640.42                                            | 2,640.42                |                                                             |
| <b>Total Noncurrent Assets</b>            | <b>2,263.16</b>                                | <b>1,447.90</b>                     | <b>31,150.22</b>                                                                      | <b>1,954,149.50</b>                                 | <b>1,989,010.78</b>     |                                                             |
| <b>TOTAL ASSETS</b>                       | <b>\$ 17,061,563.51</b>                        | <b>\$ 5,687,806.36</b>              | <b>\$ 963,976.05</b>                                                                  | <b>\$ 3,927,777.04</b>                              | <b>\$ 27,641,122.96</b> | <b>\$ 2,068,862.28</b>                                      |
| <b>LIABILITIES</b>                        |                                                |                                     |                                                                                       |                                                     |                         |                                                             |
| Current Liabilities:                      |                                                |                                     |                                                                                       |                                                     |                         |                                                             |
| Accounts Payable                          | \$ 76,828.46                                   | \$                                  | \$ 603,135.49                                                                         | \$ 386,270.69                                       | \$ 1,066,234.64         | \$ 388,556.18                                               |
| Due to Other Funds                        | 27,138.90                                      | 2,019,950.28                        | 15,184.18                                                                             | 4,625.58                                            | 2,066,898.94            |                                                             |
| Due to Other Agencies                     | 1,614.92                                       | 3,624,735.65                        | 314,506.16                                                                            | 133,513.80                                          | 4,074,370.53            |                                                             |
| Unearned Revenue                          |                                                |                                     |                                                                                       | 26,640.17                                           | 26,640.17               |                                                             |
| Compensated Absences Payable              |                                                |                                     |                                                                                       | 128,097.11                                          | 128,097.11              |                                                             |
| Estimated Insurance Claims Payable        | 2,019,652.00                                   |                                     |                                                                                       |                                                     | 2,019,652.00            | 260,095.00                                                  |
| <b>Total Current Liabilities</b>          | <b>2,125,234.28</b>                            | <b>5,644,685.93</b>                 | <b>932,825.83</b>                                                                     | <b>679,147.35</b>                                   | <b>9,381,893.39</b>     | <b>648,651.18</b>                                           |
| Noncurrent Liabilities:                   |                                                |                                     |                                                                                       |                                                     |                         |                                                             |
| Compensated Absences Payable              | 75,242.47                                      | 30,869.05                           |                                                                                       | 857,569.01                                          | 963,680.53              |                                                             |
| Estimated Insurance Claims Payable        | 2,725,710.00                                   |                                     |                                                                                       |                                                     | 2,725,710.00            |                                                             |
| Other Postemployment Benefits Payable     | 27,155.57                                      | 7,426.23                            |                                                                                       | 539,412.20                                          | 573,994.00              |                                                             |
| <b>Total Noncurrent Liabilities</b>       | <b>2,828,108.04</b>                            | <b>38,295.28</b>                    |                                                                                       | <b>1,396,981.21</b>                                 | <b>4,263,384.53</b>     |                                                             |
| <b>Total Liabilities</b>                  | <b>4,953,342.32</b>                            | <b>5,682,981.21</b>                 | <b>932,825.83</b>                                                                     | <b>2,076,128.56</b>                                 | <b>13,645,277.92</b>    | <b>648,651.18</b>                                           |
| <b>NET POSITION</b>                       |                                                |                                     |                                                                                       |                                                     |                         |                                                             |
| Investment in Capital Assets              | 2,263.16                                       | 1,447.90                            | 31,150.22                                                                             | 1,954,149.50                                        | 1,989,010.78            |                                                             |
| Unrestricted                              | 12,105,958.03                                  | 3,377.25                            |                                                                                       | (102,501.02)                                        | 12,006,834.26           | 1,420,211.10                                                |
| <b>Total Net Position</b>                 | <b>12,108,221.19</b>                           | <b>4,825.15</b>                     | <b>31,150.22</b>                                                                      | <b>1,851,648.48</b>                                 | <b>13,995,845.04</b>    | <b>1,420,211.10</b>                                         |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b>\$ 17,061,563.51</b>                        | <b>\$ 5,687,806.36</b>              | <b>\$ 963,976.05</b>                                                                  | <b>\$ 3,927,777.04</b>                              | <b>\$ 27,641,122.96</b> | <b>\$ 2,068,862.28</b>                                      |

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

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION -  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2013**

|                                               | Business-Type Activities - Enterprise Funds    |                                     |                                                                                       |                                                     | Total                   | Governmental<br>Activities -<br>Internal<br>Service<br>Fund |
|-----------------------------------------------|------------------------------------------------|-------------------------------------|---------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------|-------------------------------------------------------------|
|                                               | PAEC -<br>Risk Management<br>Property/Casualty | PAEC -<br>Risk Management<br>Health | PAEC -<br>Programs Other<br>Than Risk<br>Management -<br>Federal Economic<br>Stimulus | PAEC -<br>Programs Other<br>Than Risk<br>Management |                         |                                                             |
| <b>OPERATING REVENUES</b>                     |                                                |                                     |                                                                                       |                                                     |                         |                                                             |
| Charges for Services                          | \$                                             | \$                                  | \$                                                                                    | \$ 2,653,360.16                                     | \$ 2,653,360.16         | \$                                                          |
| Charges for Sales                             |                                                |                                     |                                                                                       | 7,908.21                                            | 7,908.21                |                                                             |
| Premium Revenues                              | 8,024,226.00                                   |                                     |                                                                                       |                                                     | 8,024,226.00            | 4,597,333.60                                                |
| Dividend Income                               |                                                |                                     |                                                                                       |                                                     |                         | 32,793.69                                                   |
| Other Operating Revenues                      |                                                | 108,717.00                          |                                                                                       | 145,884.82                                          | 254,601.82              |                                                             |
| <b>Total Operating Revenues</b>               | <b>8,024,226.00</b>                            | <b>108,717.00</b>                   |                                                                                       | <b>2,807,153.19</b>                                 | <b>10,940,096.19</b>    | <b>4,630,127.29</b>                                         |
| <b>OPERATING EXPENSES</b>                     |                                                |                                     |                                                                                       |                                                     |                         |                                                             |
| Salaries                                      | 196,638.42                                     | 78,460.26                           | 292,530.58                                                                            | 3,057,817.92                                        | 3,625,447.18            |                                                             |
| Employee Benefits                             | 43,332.34                                      | 20,668.29                           | 63,305.22                                                                             | 711,455.56                                          | 838,761.41              |                                                             |
| Purchased Services                            | 331,678.53                                     | 11,521.33                           | 1,993,979.91                                                                          | 3,810,694.83                                        | 6,147,874.60            | 72,208.23                                                   |
| Energy Services                               |                                                |                                     |                                                                                       | 40,300.06                                           | 40,300.06               |                                                             |
| Materials and Supplies                        | 23,071.19                                      | 20.71                               | 23,847.51                                                                             | 172,363.72                                          | 219,303.13              |                                                             |
| Capital Outlay                                | 271.50                                         |                                     | 160,714.82                                                                            | 69,433.99                                           | 230,420.31              |                                                             |
| Participant Dividend                          |                                                | 45,546.79                           |                                                                                       |                                                     | 45,546.79               |                                                             |
| Insurance Claims                              | 2,130,859.17                                   |                                     |                                                                                       |                                                     | 2,130,859.17            | 3,208,169.19                                                |
| Excess Insurance Premiums                     | 4,517,971.16                                   |                                     |                                                                                       |                                                     | 4,517,971.16            | 662,021.80                                                  |
| Service Agent Fees                            | 469,996.00                                     |                                     |                                                                                       |                                                     | 469,996.00              | 301,750.72                                                  |
| Other Expenses                                | 565.00                                         | 45.00                               | 61,442.16                                                                             | 305,478.72                                          | 367,530.88              |                                                             |
| Depreciation                                  | 3,626.68                                       | 578.07                              | 11,205.71                                                                             | 111,485.05                                          | 126,895.51              |                                                             |
| <b>Total Operating Expenses</b>               | <b>7,718,009.99</b>                            | <b>156,840.45</b>                   | <b>2,607,025.91</b>                                                                   | <b>8,279,029.85</b>                                 | <b>18,760,906.20</b>    | <b>4,244,149.94</b>                                         |
| <b>Operating Income (Loss)</b>                | <b>306,216.01</b>                              | <b>(48,123.45)</b>                  | <b>(2,607,025.91)</b>                                                                 | <b>(5,471,876.66)</b>                               | <b>(7,820,810.01)</b>   | <b>385,977.35</b>                                           |
| <b>NONOPERATING REVENUES (EXPENSES)</b>       |                                                |                                     |                                                                                       |                                                     |                         |                                                             |
| Interest Revenue (Expense)                    | 90,333.99                                      | (448.61)                            |                                                                                       | 10,052.45                                           | 99,937.83               | 11,337.73                                                   |
| Federal Grants                                |                                                |                                     | 2,597,104.70                                                                          | 5,013,399.44                                        | 7,610,504.14            |                                                             |
| State Grants                                  |                                                |                                     |                                                                                       | 207,625.04                                          | 207,625.04              |                                                             |
| Local Gifts and Grants                        |                                                |                                     |                                                                                       | 20,000.00                                           | 20,000.00               |                                                             |
| Miscellaneous Local Sources                   |                                                |                                     |                                                                                       | 190,041.87                                          | 190,041.87              |                                                             |
| Prior Year Refunds                            |                                                |                                     |                                                                                       | 2,442.61                                            | 2,442.61                |                                                             |
| Loss on Disposal of Assets                    |                                                |                                     | (1,833.40)                                                                            | (925.31)                                            | (2,758.71)              |                                                             |
| <b>Total Nonoperating Revenues (Expenses)</b> | <b>90,333.99</b>                               | <b>(448.61)</b>                     | <b>2,595,271.30</b>                                                                   | <b>5,442,636.10</b>                                 | <b>8,127,792.78</b>     | <b>11,337.73</b>                                            |
| <b>Income (Loss) Before Transfers</b>         | <b>396,550.00</b>                              | <b>(48,572.06)</b>                  | <b>(11,754.61)</b>                                                                    | <b>(29,240.56)</b>                                  | <b>306,982.77</b>       | <b>397,315.08</b>                                           |
| Transfers In                                  |                                                |                                     |                                                                                       | 15,664.86                                           | 15,664.86               |                                                             |
| <b>Change in Net Position</b>                 | <b>396,550.00</b>                              | <b>(48,572.06)</b>                  | <b>(11,754.61)</b>                                                                    | <b>(13,575.70)</b>                                  | <b>322,647.63</b>       | <b>397,315.08</b>                                           |
| Net Position - Beginning                      | 11,711,671.19                                  | 53,397.21                           | 42,904.83                                                                             | 1,865,224.18                                        | 13,673,197.41           | 1,022,896.02                                                |
| <b>Total Net Position - Ending</b>            | <b>\$ 12,108,221.19</b>                        | <b>\$ 4,825.15</b>                  | <b>\$ 31,150.22</b>                                                                   | <b>\$ 1,851,648.48</b>                              | <b>\$ 13,995,845.04</b> | <b>\$ 1,420,211.10</b>                                      |

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

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2013**

|                                                                                                       | Business-Type Activities - Enterprise Funds    |                                     |                                                                                       |                                                     | Governmental<br>Activities -<br>Internal<br>Service<br>Fund |
|-------------------------------------------------------------------------------------------------------|------------------------------------------------|-------------------------------------|---------------------------------------------------------------------------------------|-----------------------------------------------------|-------------------------------------------------------------|
|                                                                                                       | PAEC -<br>Risk Management<br>Property/Casualty | PAEC -<br>Risk Management<br>Health | PAEC -<br>Programs Other<br>Than Risk<br>Management -<br>Federal Economic<br>Stimulus | PAEC -<br>Programs Other<br>Than Risk<br>Management | Total                                                       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                           |                                                |                                     |                                                                                       |                                                     |                                                             |
| Cash Received from Board Funds and Participants                                                       | \$ 8,024,226.00                                | \$                                  | \$                                                                                    | \$ 2,677,765.25                                     | \$ 10,701,991.25                                            |
| Cash Payments to Suppliers for Goods and Services                                                     | (5,271,462.30)                                 | (57,133.83)                         | (2,239,601.38)                                                                        | (4,539,730.61)                                      | (12,107,928.12)                                             |
| Cash Payments to Employees for Services                                                               | (199,492.58)                                   | (87,418.49)                         | (355,835.80)                                                                          | (3,680,446.61)                                      | (4,323,193.48)                                              |
| Cash Payments for Insurance Claims                                                                    | (2,305,801.17)                                 |                                     |                                                                                       |                                                     | (2,305,801.17)                                              |
| Cash Received for Participant Dividend                                                                |                                                |                                     |                                                                                       |                                                     |                                                             |
| Cash Received (Paid) from Other Operating Revenues                                                    | (236,087.33)                                   | 624,114.69                          |                                                                                       | 145,884.82                                          | 533,912.18                                                  |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                               | <b>11,382.62</b>                               | <b>479,562.37</b>                   | <b>(2,595,437.18)</b>                                                                 | <b>(5,396,527.15)</b>                               | <b>(7,501,019.34)</b>                                       |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                                |                                                |                                     |                                                                                       |                                                     |                                                             |
| Proceeds from Gifts and Federal and State Grants                                                      |                                                |                                     | 2,597,104.70                                                                          | 5,433,508.96                                        | 8,030,613.66                                                |
| Transfer from Other Funds                                                                             |                                                |                                     |                                                                                       | 15,664.86                                           | 15,664.86                                                   |
| <b>Net Cash Provided by Noncapital Financing Activities</b>                                           |                                                |                                     | <b>2,597,104.70</b>                                                                   | <b>5,449,173.82</b>                                 | <b>8,046,278.52</b>                                         |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                       |                                                |                                     |                                                                                       |                                                     |                                                             |
| Acquisition and Construction of Capital Assets                                                        | (629.00)                                       |                                     | (1,284.50)                                                                            | (31,896.02)                                         | (33,809.52)                                                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                           |                                                |                                     |                                                                                       |                                                     |                                                             |
| Proceeds from Sales and Maturity of Investments                                                       | 113,040.98                                     | 15,505.92                           |                                                                                       | 16,775.44                                           | 145,322.34                                                  |
| Interest Income                                                                                       | 90,333.99                                      | (448.61)                            |                                                                                       | 10,052.45                                           | 99,937.83                                                   |
| <b>Net Cash Provided by Investing Activities</b>                                                      | <b>203,374.97</b>                              | <b>15,057.31</b>                    |                                                                                       | <b>26,827.89</b>                                    | <b>245,260.17</b>                                           |
| <b>Net Increase in Cash and Cash Equivalents</b>                                                      | <b>214,128.59</b>                              | <b>494,619.68</b>                   | <b>383.02</b>                                                                         | <b>47,578.54</b>                                    | <b>756,709.83</b>                                           |
| Cash and Cash Equivalents, Beginning                                                                  | 15,838,557.86                                  | 4,607,457.04                        |                                                                                       | 1,236,559.86                                        | 21,682,574.76                                               |
| <b>Cash and Cash Equivalents, Ending</b>                                                              | <b>\$ 16,052,686.45</b>                        | <b>\$ 5,102,076.72</b>              | <b>\$ 383.02</b>                                                                      | <b>\$ 1,284,138.40</b>                              | <b>\$ 22,439,284.59</b>                                     |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b> |                                                |                                     |                                                                                       |                                                     |                                                             |
| Operating Income (Loss)                                                                               | \$ 306,216.01                                  | \$ (48,123.45)                      | \$ (2,607,025.91)                                                                     | \$ (5,471,876.66)                                   | \$ (7,820,810.01)                                           |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: |                                                |                                     |                                                                                       |                                                     |                                                             |
| Depreciation                                                                                          | 3,626.68                                       | 578.07                              | 11,205.71                                                                             | 111,485.05                                          | 126,895.51                                                  |
| Changes in Assets and Liabilities:                                                                    |                                                |                                     |                                                                                       |                                                     |                                                             |
| Accounts Receivable                                                                                   | (17,974.84)                                    |                                     |                                                                                       | (118,184.39)                                        | (136,159.23)                                                |
| Due from Excess Insurer                                                                               | (218,112.49)                                   |                                     |                                                                                       |                                                     | (218,112.49)                                                |
| Due from Other Funds                                                                                  |                                                |                                     | (439,866.16)                                                                          | 335,922.38                                          | (103,943.78)                                                |
| Inventories                                                                                           |                                                |                                     |                                                                                       | 300.40                                              | 300.40                                                      |
| Due from Other Agencies                                                                               |                                                | (563,739.78)                        |                                                                                       | (58,146.21)                                         | (621,885.99)                                                |
| Accounts Payable                                                                                      | 50,623.11                                      |                                     | 401,221.31                                                                            | (139,187.97)                                        | 312,656.45                                                  |
| Compensated Absences Payable                                                                          | 36,589.70                                      | 10,060.14                           |                                                                                       | 9,965.27                                            | 56,615.11                                                   |
| Other Postemployment Benefits Payable                                                                 | 3,888.48                                       | 1,649.92                            |                                                                                       | 78,861.60                                           | 84,400.00                                                   |
| Due to Other Funds                                                                                    | 21,980.29                                      | (71,482.20)                         | 2,621.04                                                                              | (2,762.14)                                          | (49,643.01)                                                 |
| Due to Other Agencies                                                                                 | (512.32)                                       | 1,150,619.67                        | 36,406.83                                                                             | 190.42                                              | 1,186,704.60                                                |
| Unearned Revenue                                                                                      |                                                |                                     |                                                                                       | (143,094.90)                                        | (143,094.90)                                                |
| Estimated Insurance Claims Payable                                                                    | (174,942.00)                                   |                                     |                                                                                       |                                                     | (174,942.00)                                                |
| <b>Total Adjustments</b>                                                                              | <b>(294,833.39)</b>                            | <b>527,685.82</b>                   | <b>11,588.73</b>                                                                      | <b>75,349.51</b>                                    | <b>319,790.67</b>                                           |
| <b>Net Cash Provided (Used) by Operating Activities</b>                                               | <b>\$ 11,382.62</b>                            | <b>\$ 479,562.37</b>                | <b>\$ (2,595,437.18)</b>                                                              | <b>\$ (5,396,527.15)</b>                            | <b>\$ (7,501,019.34)</b>                                    |

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

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -  
FIDUCIARY FUNDS  
June 30, 2013**

|                           | Agency<br>Funds      |
|---------------------------|----------------------|
| <b>ASSETS</b>             |                      |
| Cash and Cash Equivalents | \$ 709,704.00        |
| Investments               | 39,082.00            |
| Inventories               | 9,925.00             |
| <b>TOTAL ASSETS</b>       | <b>\$ 758,711.00</b> |
| <b>LIABILITIES</b>        |                      |
| Accounts Payable          | \$ 1,347.00          |
| Internal Accounts Payable | 757,364.00           |
| <b>TOTAL LIABILITIES</b>  | <b>\$ 758,711.00</b> |

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

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Washington County School District (District). All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

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.

**B. Reporting Entity**

The Washington County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Washington County.

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

**C. Basis of Presentation: Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

The effects of interfund activity have been eliminated from the government-wide financial statements except for interfund services provided and used, and net residual amounts between governmental and business-type activities.

**D. Basis of Presentation: Fund Financial Statements**

The fund financial statements provide information about the District's funds, including the fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal and State grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).

The District reports the following major enterprise funds:

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

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

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

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**E. Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

The governmental fund financial statements are reported using the current financial resources measurement focus and 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**F. Assets, Liabilities, and Net Position/Fund Balance**

**1. Cash and Cash Equivalents**

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.

**2. Investments**

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, and those made locally. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.11845939 at June 30, 2013. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

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

**3. Inventories**

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

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**4. 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 position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation. Generally, buildings acquired or constructed prior to July 1, 1989, and improvements other than buildings acquired prior to August 19, 1988, are stated at estimated historical cost using price levels at the time of acquisition and, as a result, \$7,397,061.85 of the stated buildings value, and \$153,508.12 of the stated improvements other than buildings value, are based on these estimates.

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

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

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

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

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

**6. Net Position Flow Assumption**

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted - net position to have been depleted before unrestricted – net position is applied.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**7. Fund Balance Flow Assumptions**

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**8. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The Board approved to commit a portion of the General Fund fund balance to be used specifically for the following purposes: compensated absences, contract school carryovers, cost center carryovers, project carryovers, and environmental cleanup.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has by resolution authorized the finance director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The District reported no assigned fund balance at June 30, 2013.

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

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.

**2. 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 (SBE) 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.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Public Education Capital Outlay funds as unearned revenue until such time as an encumbrance authorization is received.

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

**3. District Property Taxes**

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

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

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

The Board adopted the 2012 tax levy on September 10, 2012. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become a lien on the property on January 1, and are delinquent on April 1, of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

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

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

**4. 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.

**5. Compensated Absences**

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. The liability for compensated absences includes salary-related benefits, where applicable.

**6. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The principal operating revenues and expenses of the PAEC - Risk Management Property/Casualty Fund are premium revenues and expenses include insurance claims, excess insurance premiums, and service agent fees. Operating expenses of the PAEC - Programs Other Than Risk Management ARRA - Economic Stimulus Funds are primarily for contracted services. The operation revenues expenses of the PAEC - Other Than Risk Management Fund result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations and Board participant fees. The primary operating revenues of the District's internal service funds are charges for employee health insurance premiums. Operating expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Cash Deposits with Financial Institutions**

*Custodial Credit Risk-Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

**B. Investments**

As of June 30, 2013, the District has the following investments and maturities:

| Investments             | Maturities        | Fair Value              |
|-------------------------|-------------------|-------------------------|
| SBA:                    |                   |                         |
| Florida PRIME (1)       | 40 Day Average    | \$ 33,651,155.36        |
| Fund B                  | 3.98 Year Average | 299,924.04              |
| Debt Service Accounts   | 6 Months          | 5,110.44                |
| Certificates of Deposit | March 2014        | 39,082.00               |
| Total Investments       |                   | <u>\$ 33,995,271.84</u> |

Note: (1) This investment is reported as a cash equivalent for financial statement reporting purposes.

➤ **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 2013. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2013, is estimated at 3.98 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

➤ **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy limits investments to bids from qualified depositories, financial deposit instruments insured by the Federal Deposit Insurance Corporation, time deposits, securities of the United States Government including obligations of the United State Treasury, and investment pools managed and directed by an approved agency of the state.

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

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

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

**C. Changes in Capital Assets**

Changes in capital assets are presented in the table below:

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

|                                                 | Beginning<br>Balance | Additions       | Deletions       | Ending<br>Balance |
|-------------------------------------------------|----------------------|-----------------|-----------------|-------------------|
| GOVERNMENTAL ACTIVITIES                         |                      |                 |                 |                   |
| Capital Assets Not Being Depreciated:           |                      |                 |                 |                   |
| Land                                            | \$ 1,913,802.15      | \$ 10,031.25    | \$              | \$ 1,923,833.40   |
| Land Improvements                               | 65,781.00            |                 |                 | 65,781.00         |
| Construction in Progress                        | 991,171.77           | 1,262,453.70    | 1,911,183.55    | 342,441.92        |
| Total Capital Assets Not Being Depreciated      | 2,970,754.92         | 1,272,484.95    | 1,911,183.55    | 2,332,056.32      |
| Capital Assets Being Depreciated:               |                      |                 |                 |                   |
| Improvements Other Than Buildings               | 2,032,180.21         | 186,841.51      |                 | 2,219,021.72      |
| Buildings and Fixed Equipment                   | 71,172,091.09        | 1,734,682.50    |                 | 72,906,773.59     |
| Furniture, Fixtures, and Equipment              | 8,324,939.35         | 500,127.45      | 442,504.03      | 8,382,562.77      |
| Motor Vehicles                                  | 6,102,512.59         | 523,625.00      | 332,742.00      | 6,293,395.59      |
| Audio Visual Materials and<br>Computer Software | 498,036.99           | 20,186.14       | 67,492.24       | 450,730.89        |
| Total Capital Assets Being Depreciated          | 88,129,760.23        | 2,965,462.60    | 842,738.27      | 90,252,484.56     |
| Less Accumulated Depreciation for:              |                      |                 |                 |                   |
| Improvements Other Than Buildings               | 761,402.25           | 107,423.05      |                 | 868,825.30        |
| Buildings and Fixed Equipment                   | 17,812,504.56        | 1,519,468.40    |                 | 19,331,972.96     |
| Furniture, Fixtures, and Equipment              | 6,555,645.17         | 559,706.67      | 433,154.70      | 6,682,197.14      |
| Motor Vehicles                                  | 3,698,682.78         | 469,350.54      | 332,742.00      | 3,835,291.32      |
| Audio Visual Materials and<br>Computer Software | 446,896.93           | 17,784.44       | 67,480.92       | 397,200.45        |
| Total Accumulated Depreciation                  | 29,275,131.69        | 2,673,733.10    | 833,377.62      | 31,115,487.17     |
| Total Capital Assets Being Depreciated, Net     | 58,854,628.54        | 291,729.50      | 9,360.65        | 59,136,997.39     |
| Governmental Activities Capital Assets, Net     | \$ 61,825,383.46     | \$ 1,564,214.45 | \$ 1,920,544.20 | \$ 61,469,053.71  |

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

|                                                 | Beginning<br>Balance | Additions      | Deletions   | Ending<br>Balance |
|-------------------------------------------------|----------------------|----------------|-------------|-------------------|
| <b>BUSINESS-TYPE ACTIVITIES</b>                 |                      |                |             |                   |
| Capital Assets Not Being Depreciated:           |                      |                |             |                   |
| Land                                            | \$ 665,380.10        | \$             | \$          | \$ 665,380.10     |
| Capital Assets Being Depreciated:               |                      |                |             |                   |
| Improvements Other Than Buildings               | 321,947.43           |                |             | 321,947.43        |
| Buildings and Fixed Equipment                   | 1,123,919.70         |                |             | 1,123,919.70      |
| Furniture, Fixtures, and Equipment              | 2,356,031.67         | 33,809.52      | 55,220.44   | 2,334,620.75      |
| Audio Visual Materials and<br>Computer Software | 134,265.76           |                | 40,452.42   | 93,813.34         |
| Total Capital Assets Being Depreciated          | 3,936,164.56         | 33,809.52      | 95,672.86   | 3,874,301.22      |
| Less Accumulated Depreciation for:              |                      |                |             |                   |
| Improvements Other Than Buildings               | 135,602.66           | 13,629.38      |             | 149,232.04        |
| Buildings and Fixed Equipment                   | 141,432.24           | 22,757.04      |             | 164,189.28        |
| Furniture, Fixtures, and Equipment              | 2,110,776.15         | 87,761.88      | 52,461.73   | 2,146,076.30      |
| Audio Visual Materials and<br>Computer Software | 128,878.13           | 2,747.21       | 40,452.42   | 91,172.92         |
| Total Accumulated Depreciation                  | 2,516,689.18         | 126,895.51     | 92,914.15   | 2,550,670.54      |
| Total Capital Assets Being Depreciated, Net     | 1,419,475.38         | (93,085.99)    | 2,758.71    | 1,323,630.68      |
| Business-Type Activities Capital Assets, Net    | \$ 2,084,855.48      | \$ (93,085.99) | \$ 2,758.71 | \$ 1,989,010.78   |

Depreciation expense was charged to functions as follows:

| Function                                                                  | Amount                 |
|---------------------------------------------------------------------------|------------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>                                            |                        |
| Pupil Transportation Services                                             | \$ 440,271.78          |
| Unallocated                                                               | 2,233,461.32           |
| Total Depreciation Expense - Governmental Activities                      | <u>\$ 2,673,733.10</u> |
| <b>BUSINESS-TYPE ACTIVITIES</b>                                           |                        |
| PAEC - Risk Management Property/Casualty                                  | \$ 3,626.68            |
| PAEC - Risk Management Health                                             | 578.07                 |
| PAEC - Programs Other Than Risk Management -<br>Federal Economic Stimulus | 11,205.71              |
| PAEC - Programs Other Than Risk Management                                | 111,485.05             |
| Total Depreciation Expense - Business-Type Activities                     | <u>\$ 126,895.51</u>   |

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**D. 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), with 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 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, 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.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2012-13 fiscal year were as follows:

| Class                                                         | Percent of Gross Salary |                 |
|---------------------------------------------------------------|-------------------------|-----------------|
|                                                               | Employee                | Employer<br>(A) |
| FRS, Regular                                                  | 3.00                    | 5.18            |
| FRS, Elected County Officers                                  | 3.00                    | 10.23           |
| DROP - Applicable to<br>Members from All of the Above Classes | 0.00                    | 5.44            |
| FRS, 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, 2011, June 30, 2012, and June 30, 2013, totaled \$2,648,372.81, \$1,675,116.63, and \$1,681,934.02, respectively, which were equal to the required contributions for each fiscal year.

There were 46 District participants in the Investment Plan during the 2012-13 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled \$126,556.18, which was equal to the required contribution for the 2012-13 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.

**E. Other Postemployment Benefit Obligations**

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

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

**Funding Policy.** Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2012-13 fiscal year, 209 retirees received other postemployment benefits. The District provided required contributions of \$675,283 toward the annual OPEB cost, net of retiree contributions totaling \$1,077,744, which represents 6.05 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)                 | \$ 576,347                 |
| Amortization of Unfunded Actuarial<br>Accrued Liability | <u>825,096</u>             |
| Annual Required Contribution                            | 1,401,443                  |
| Interest on Net OPEB Obligation                         | 132,485                    |
| Adjustment to Annual Required Contribution              | <u>(143,538)</u>           |
| Annual OPEB Cost (Expense)                              | 1,390,390                  |
| Contribution Toward the OPEB Cost                       | <u>(675,283)</u>           |
| Change in Net OPEB Obligation                           | 715,107                    |
| Net OPEB Obligation, Beginning of Year                  | <u>3,731,963</u>           |
| Net OPEB Obligation, End of Year                        | <u><u>\$ 4,447,070</u></u> |

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

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, 2013, and the two preceding fiscal years, were as follows:

| Fiscal Year | Annual<br>OPEB Cost | Percentage of<br>Annual<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
|-------------|---------------------|-----------------------------------------------------|------------------------|
| <hr/>       | <hr/>               | <hr/>                                               | <hr/>                  |
| 2010-11     | \$ 1,790,087        | 42.09%                                              | \$ 2,690,696           |
| 2011-12     | 1,879,609           | 44.60%                                              | 3,731,963              |
| 2012-13     | 1,390,390           | 48.57%                                              | 4,447,070              |

**Funded Status and Funding Progress.** As of October 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was \$21,081,563, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$21,081,563 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$17,815,524, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 118.33 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, 2012, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2013, and to estimate the District's 2012-13 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.55 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.55 percent per year, projected salary increases of 4 to 8.25 percent, and an annual healthcare cost trend rate of 8.5 percent beginning October 2013, reduced to an ultimate rate of 5.435 percent beginning October 2030. The investment rate of return and projected salary increase rates includes a general price inflation rate of 3 percent. The unfunded actuarial accrued liability is being

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

amortized as a level percentage of projected payroll on a closed basis over a 30 year period. The remaining amortization period at June 30, 2013, was 25 years.

**F. 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, 2013:

| <b>Major Governmental Funds</b>                    |                                           | Nonmajor<br>Governmental<br>Funds                                                        | Total<br>Governmental<br>Funds                      |                           |  |
|----------------------------------------------------|-------------------------------------------|------------------------------------------------------------------------------------------|-----------------------------------------------------|---------------------------|--|
| General                                            | Special<br>Revenue - Other                |                                                                                          |                                                     |                           |  |
| \$ 350,908.60                                      | \$ 27,616.30                              | \$ 115,407.00                                                                            | \$ 493,931.90                                       |                           |  |
| <b>Major Enterprise Funds</b>                      |                                           |                                                                                          |                                                     |                           |  |
| PAEC - Risk<br>Management<br>Property/<br>Casualty | PAEC - Risk<br>Management<br>Group Health | PAEC -<br>Programs Other<br>Than Risk<br>Management -<br>Federal<br>Economic<br>Stimulus | PAEC -<br>Programs Other<br>Than Risk<br>Management | Total Enterprise<br>Funds |  |
| \$ 39,453.92                                       | \$ 15.78                                  | \$ 1,514,901.01                                                                          | \$ 277,666.28                                       | \$ 1,832,036.99           |  |

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

| Project                                    | Contract<br>Amount | Completed<br>to Date | Balance<br>Committed |
|--------------------------------------------|--------------------|----------------------|----------------------|
| Kate Smith Elementary School:<br>Architect | \$ 555,100         | \$ 296,460           | \$ 258,640           |

**G. Risk Management Programs**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Washington County District School Board is a member of the PAEC – RMC under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, employee dishonesty, equipment breakdown, and other coverage deemed necessary by the members of the PAEC - RMC. Section 1001.42(12)(k), Florida Statutes, provides the authority for

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

the District to enter into such a risk management program. The PAEC – RMC is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the PAEC – RMC is composed of superintendents of all participating districts. The District serves as fiscal agent for the PAEC - RMC. Activities related to the PAEC – RMC Property/Casualty Program are included in the business-type activities on the financial statements and in note II.H.

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

A liability in the amount of \$260,095 was actuarially determined to cover estimated incurred, but not reported, District health insurance claims payable at June 30, 2013. The actuarial basis used for estimating the liability for unpaid claims of the District's health plan was a combination of the development method and the claims projection method. Under the development method, the historical claim data was recorded by incurred month and paid month. The resulting loss development pattern (as claims mature) was to estimate the future development of existing claims as of the valuation (accounting) date on June 30, 2013. The claim projection method used historical claim experience to estimate the ultimate level of incurred claims in a specific incurral month. This incurred claim estimate was utilized to estimate a claims reserve. The claims development method was used to estimate the incurred but unpaid claims liability for all incurral months prior to May 2013. The claim projection method was used to estimate the level of incurred but unpaid claims for the incurral months of May 2013 and June 2013. However, to be conservative, a 10 percent increase to the incurred but not paid (IBNP) reserve amount has been added to offset such delayed payments and to provide a margin for experience less favorable than expected. The paid claims data has not been adjusted for any excess recoveries, which would otherwise tend to overstate the IBNP reserves. In this instance, the effect is not significant and adds a slight amount of conservatism.

Because of the relatively short payment pattern of the claims, there was no discounting for present value other than that inherent in the claims data.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

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

| Fiscal Year       | Beginning-of-Fiscal-Year Liability | Current-Year Claims and Changes in Estimates | Claims Payments   | Balance at Fiscal Year-End |
|-------------------|------------------------------------|----------------------------------------------|-------------------|----------------------------|
| <u>          </u> | <u>          </u>                  | <u>          </u>                            | <u>          </u> | <u>          </u>          |
| 2011-12           | \$ 222,209                         | \$ 3,889,232                                 | \$ (3,656,150)    | \$ 455,291                 |
| 2012-13           | 455,291                            | 3,208,169                                    | (3,403,365)       | 260,095                    |

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

**H. Public Entity Risk Pool**

The following is a summary of financial information as reported in the enterprise funds for the 2012-13 fiscal year:

**1. Description of the Fund**

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

**2. Summary of Significant Account Policies**

- Estimated Insurance Claims Payable. The liabilities are actuarially determined, based on the estimated ultimate cost of settling all claims, both those reported and unreported, including the effects of inflation and other societal and economic factors.
- Excess Insurance. The PAEC – RMC has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund. For the year ended June 30, 2013, the risk pool established a loss fund of \$4,200,000, assessed premiums to fund \$3,600,000 of the loss fund, and purchased specific excess insurance which provides layers of protection per individual and/or occurrence by coverage. In addition, the risk pool purchased aggregate excess insurance which provides up to \$1 million coverage if the aggregate net losses exceed the loss fund. The pool does not cede reinsurance. The pool paid excess insurance premiums for the year ended June 30, 2013, in the amount of \$4,517,971.16. The amount of \$215,048.00 of excess insurance recoverable on unpaid claims was deducted from the liability for unpaid claims at June 30, 2013.
- Settled Claims. Settled claims resulting from the risks described above have not exceeded commercial insurance for the past three fiscal years.
- Investment Income. Investment income is not included herein.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

- Liabilities. Liabilities for unpaid claims adjustment expenses were not discounted in the 2011-12 and 2012-13 fiscal years.

**3. Estimated Insurance Claims Payable**

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

|                                                                                          | Reconciliation of Claims Liability |              |
|------------------------------------------------------------------------------------------|------------------------------------|--------------|
|                                                                                          | 2011-12                            | 2012-13      |
| Estimated Unpaid Claims Liability at Beginning of Year                                   | \$ 5,099,169                       | \$ 4,920,304 |
| Incurring Claims and Claims Adjustment Expenses:                                         |                                    |              |
| Provisions for Insured Events of the Current Year                                        | 2,565,000                          | 2,920,000    |
| Decrease in Provision for Events in Prior Years                                          | (129,005)                          | (789,141)    |
| Total Insurance Claims Expenses                                                          | 2,435,995                          | 2,130,859    |
| Payments:                                                                                |                                    |              |
| Claims and Claims Adjustment Expenses Attributable to Insured Events of the Current Year | 760,830                            | 838,114      |
| Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years      | 1,854,030                          | 1,467,687    |
| Total Insurance Claims Payments                                                          | 2,614,860                          | 2,305,801    |
| Estimated Unpaid Claims Liability at End of Year                                         | \$ 4,920,304                       | \$ 4,745,362 |

**I. Long-Term Liabilities**

**1. Bonds Payable**

Bonds payable at June 30, 2013, are as follows:

| Bond Type               | Amount<br>Outstanding | Interest<br>Rate<br>(Percent) | Annual<br>Maturity<br>To |
|-------------------------|-----------------------|-------------------------------|--------------------------|
| State School Bonds:     |                       |                               |                          |
| Series 2005B, Refunding | \$ 160,000            | 5.0                           | 2018                     |

These bonds are issued by the SBE on behalf of the District to finance capital outlay projects of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of debt service fund resources, and compliance with reserve requirements are administered by the SBE and the SBA.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2013, are as follows:

| Fiscal Year<br>Ending<br>June 30 | Total             | Principal         | Interest         |
|----------------------------------|-------------------|-------------------|------------------|
| State School Bonds:              |                   |                   |                  |
| 2014                             | \$ 38,000         | \$ 30,000         | \$ 8,000         |
| 2015                             | 36,500            | 30,000            | 6,500            |
| 2016                             | 35,000            | 30,000            | 5,000            |
| 2017                             | 38,500            | 35,000            | 3,500            |
| 2018                             | 36,750            | 35,000            | 1,750            |
| Total State School Bonds         | <u>\$ 184,750</u> | <u>\$ 160,000</u> | <u>\$ 24,750</u> |

## 2. Changes in Long-Term Liabilities

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

| Description                           | Beginning<br>Balance   | Additions              | Deductions             | Ending<br>Balance      | Due In<br>One Year     |
|---------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| GOVERNMENTAL ACTIVITIES               |                        |                        |                        |                        |                        |
| Bonds Payable                         | \$ 180,000.00          | \$                     | \$ 20,000.00           | \$ 160,000.00          | \$ 30,000.00           |
| Compensated Absences Payable          | 3,441,742.25           | 281,104.27             | 195,496.32             | 3,527,350.20           | 158,780.85             |
| Other Postemployment Benefits Payable | 3,242,369.00           | 1,270,821.00           | 640,114.00             | 3,873,076.00           |                        |
| Total Governmental Activities         | <u>\$ 6,864,111.25</u> | <u>\$ 1,551,925.27</u> | <u>\$ 855,610.32</u>   | <u>\$ 7,560,426.20</u> | <u>\$ 188,780.85</u>   |
| BUSINESS-TYPE ACTIVITIES              |                        |                        |                        |                        |                        |
| Estimated Insurance Claims Payable    | \$ 4,920,304.00        | \$ 2,130,859.00        | \$ 2,305,801.00        | \$ 4,745,362.00        | \$ 2,019,652.00        |
| Compensated Absences Payable          | 1,035,162.53           | 71,269.90              | 14,654.79              | 1,091,777.64           | 128,097.11             |
| Other Postemployment Benefits Payable | 489,594.00             | 119,569.00             | 35,169.00              | 573,994.00             |                        |
| Total Business-Type Activities        | <u>\$ 6,445,060.53</u> | <u>\$ 2,321,697.90</u> | <u>\$ 2,355,624.79</u> | <u>\$ 6,411,133.64</u> | <u>\$ 2,147,749.11</u> |

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund. The estimated insurance claims are generally liquidated with the resources of the proprietary funds, as discussed in note I. Due to the nature of the liability there is no amount of other postemployment benefits due in one year.

## J. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in the **Fund Balance Policies** note disclosure, fund balances may be classified as follows:

- **Nonspendable Fund Balance.** Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.

- **Restricted Fund Balance.** Restricted fund balance is 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.
- **Unassigned Fund Balance.** The unassigned fund balance is 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.

**K. Interfund Receivables and Payables**

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

| Funds                                                                     | Interfund              |                        |
|---------------------------------------------------------------------------|------------------------|------------------------|
|                                                                           | Receivables            | Payables               |
| Major:                                                                    |                        |                        |
| General                                                                   | \$ 705,490.02          | \$ 91,387.59           |
| Special Revenue:                                                          |                        |                        |
| Other                                                                     |                        | 1,745,010.94           |
| Federal Economic Stimulus                                                 |                        | 1,870.55               |
| Enterprise:                                                               |                        |                        |
| PAEC - Risk Management Property/Casualty                                  |                        | 27,138.90              |
| PAEC - Risk Management Health                                             |                        | 2,019,950.28           |
| PAEC - Programs Other Than Risk Management                                | 284,554.91             | 4,625.58               |
| PAEC - Programs Other Than Risk Management -<br>Federal Economic Stimulus | 932,442.81             | 15,184.18              |
| Nonmajor Governmental                                                     |                        | 37,270.00              |
| Internal Service                                                          |                        |                        |
| Washington County - Risk Management Health                                | 2,019,950.28           |                        |
| Total                                                                     | <u>\$ 3,942,438.02</u> | <u>\$ 3,942,438.02</u> |

Interfund receivables and payables are recorded to reflect fees, reimbursements, and advances owed by one fund to another as of June 30, 2013. These amounts are expected to be repaid within one year.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**L. Revenues and Expenditures/Expenses**

**1. Schedule of State Revenue Sources**

The following is a schedule of the District's State revenue sources for the 2012-13 fiscal year:

| <u>Source</u>                                          | <u>Amount</u>                  |
|--------------------------------------------------------|--------------------------------|
| Governmental Funds:                                    |                                |
| Florida Education Finance Program                      | \$ 13,922,763.00               |
| Categorical Educational Program - Class Size Reduction | 3,487,126.00                   |
| Workforce Development Program                          | 3,197,968.00                   |
| Adults with Disabilities                               | 148,428.21                     |
| Gross Receipts Tax (Public Education Capital Outlay)   | 106,936.00                     |
| School Recognition                                     | 75,227.00                      |
| Miscellaneous                                          | 625,663.40                     |
|                                                        | <hr/>                          |
| Subtotal - Governmental                                | 21,564,111.61                  |
|                                                        | <hr/>                          |
| Enterprise Funds:                                      |                                |
| Distance Learning Teacher Training                     | 68,459.95                      |
| Regional Educational Consortium Services               | 61,529.72                      |
| Miscellaneous                                          | 77,635.37                      |
|                                                        | <hr/>                          |
| Subtotal - Enterprise                                  | 207,625.04                     |
|                                                        | <hr/>                          |
| Total                                                  | <u><u>\$ 21,771,736.65</u></u> |

Accounting policies relating to certain State revenue sources are described in note I.G.2.

**2. Property Taxes**

The following is a summary of millages and taxes levied on the 2012 tax roll for the 2012-13 fiscal year:

|                                  | <u>Millages</u> | <u>Taxes Levied</u>    |
|----------------------------------|-----------------|------------------------|
| <u>GENERAL FUND</u>              |                 |                        |
| Nonvoted School Tax:             |                 |                        |
| Required Local Effort            | 5.477           | \$ 5,157,404.84        |
| Basic Discretionary Local Effort | 0.748           | 703,942.94             |
| Critical Operating Needs         | 0.250           | 235,900.77             |
|                                  |                 |                        |
| <u>CAPITAL PROJECTS FUNDS</u>    |                 |                        |
| Nonvoted Tax:                    |                 |                        |
| Local Capital Improvements       | 1.500           | 1,412,496.10           |
|                                  |                 |                        |
| Total                            | <u>7.975</u>    | <u>\$ 7,509,744.65</u> |

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**M. Interfund Transfers**

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

| Funds                                      | Interfund            |                      |
|--------------------------------------------|----------------------|----------------------|
|                                            | Transfers In         | Transfers Out        |
| Major:                                     |                      |                      |
| General                                    | \$ 541,815.17        | \$ 15,664.86         |
| Enterprise:                                |                      |                      |
| PAEC - Programs Other Than Risk Management | 15,664.86            |                      |
| Nonmajor Governmental                      |                      | 541,815.17           |
| Total                                      | <u>\$ 557,480.03</u> | <u>\$ 557,480.03</u> |

Transfers to the General Fund were for reimbursement of maintenance, renovation, operating lease expenditures, and insurance premiums. Transfers to the enterprise fund were for costs associated with the fiscal agent agreement.

**III. CONSORTIUMS**

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

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## OTHER REQUIRED SUPPLEMENTARY INFORMATION

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2013**

|                                                          | General Fund       |                 |                  |                                                           |
|----------------------------------------------------------|--------------------|-----------------|------------------|-----------------------------------------------------------|
|                                                          | Original<br>Budget | Final<br>Budget | Actual           | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
| <b>Revenues</b>                                          |                    |                 |                  |                                                           |
| Intergovernmental:                                       |                    |                 |                  |                                                           |
| Federal Direct                                           | \$ 130,194.00      | \$ 113,880.70   | \$ 113,880.70    | \$                                                        |
| Federal Through State and Local                          | 13,361.91          | 157,384.16      | 157,384.16       |                                                           |
| State                                                    | 21,455,606.18      | 21,201,520.09   | 21,201,520.09    |                                                           |
| Local:                                                   |                    |                 |                  |                                                           |
| Property Taxes                                           | 5,808,851.00       | 5,840,058.69    | 5,840,058.69     |                                                           |
| Miscellaneous                                            | 1,132,086.24       | 1,720,223.63    | 1,720,223.63     |                                                           |
| Total Local Revenues                                     | 6,940,937.24       | 7,560,282.32    | 7,560,282.32     |                                                           |
| <b>Total Revenues</b>                                    | 28,540,099.33      | 29,033,067.27   | 29,033,067.27    |                                                           |
| <b>Expenditures</b>                                      |                    |                 |                  |                                                           |
| Current - Education:                                     |                    |                 |                  |                                                           |
| Instruction                                              | 23,931,547.09      | 23,255,089.14   | 16,874,835.59    | 6,380,253.55                                              |
| Pupil Personnel Services                                 | 1,054,860.81       | 1,233,517.95    | 1,098,268.19     | 135,249.76                                                |
| Instructional Media Services                             | 577,920.78         | 571,022.27      | 506,867.28       | 64,154.99                                                 |
| Instruction and Curriculum Development Services          | 322,843.22         | 338,992.93      | 275,892.70       | 63,100.23                                                 |
| Instructional Staff Training Services                    | 247,867.76         | 253,920.20      | 212,502.46       | 41,417.74                                                 |
| Instruction Related Technology                           | 688,110.94         | 636,874.29      | 457,904.11       | 178,970.18                                                |
| School Board                                             | 530,898.00         | 487,266.03      | 465,719.57       | 21,546.46                                                 |
| General Administration                                   | 514,021.62         | 532,714.55      | 294,531.25       | 238,183.30                                                |
| School Administration                                    | 2,506,120.03       | 2,639,703.01    | 2,493,693.66     | 146,009.35                                                |
| Facilities Acquisition and Construction                  | 2,418.12           | 88,867.38       |                  | 88,867.38                                                 |
| Fiscal Services                                          | 487,745.62         | 649,753.59      | 475,853.67       | 173,899.92                                                |
| Food Services                                            |                    | 1,025.57        |                  |                                                           |
| Central Services                                         | 322,711.97         | 422,783.34      | 339,635.97       | 83,147.37                                                 |
| Pupil Transportation Services                            | 2,160,146.32       | 2,123,860.96    | 2,025,590.42     | 98,270.54                                                 |
| Operation of Plant                                       | 2,023,619.24       | 2,264,195.04    | 2,105,879.25     | 158,315.79                                                |
| Maintenance of Plant                                     | 1,113,369.43       | 1,178,201.34    | 840,615.39       | 337,585.95                                                |
| Administrative Technology Services                       | 155,096.52         | 250,107.23      | 248,055.54       | 2,051.69                                                  |
| Community Services                                       | 73,781.76          | 146,707.13      | 61,929.02        | 84,778.11                                                 |
| Fixed Capital Outlay:                                    |                    |                 |                  |                                                           |
| Facilities Acquisition and Construction                  |                    | 343,978.33      | 343,978.33       |                                                           |
| Other Capital Outlay                                     |                    | 178,995.70      | 178,995.70       |                                                           |
| <b>Total Expenditures</b>                                | 36,713,079.23      | 37,597,575.98   | 29,301,773.67    | 8,295,802.31                                              |
| <b>Excess (Deficiency) of Revenues Over Expenditures</b> | (8,172,979.90)     | (8,564,508.71)  | (268,706.40)     | 8,295,802.31                                              |
| <b>Other Financing Sources (Uses)</b>                    |                    |                 |                  |                                                           |
| Transfers In                                             | 580,300.12         | 794,369.00      | 541,815.17       | (252,553.83)                                              |
| Proceeds from Sale of Capital Assets                     | 20,463.75          | 20,863.75       | 20,863.75        |                                                           |
| Insurance Loss Recoveries                                |                    | 15,306.04       | 15,306.04        |                                                           |
| Transfers Out                                            | (228,296.00)       | (314,948.83)    | (15,664.86)      | 299,283.97                                                |
| <b>Total Other Financing Sources (Uses)</b>              | 372,467.87         | 515,589.96      | 562,320.10       | 46,730.14                                                 |
| <b>Net Change in Fund Balances</b>                       | (7,800,512.03)     | (8,048,918.75)  | 293,613.70       | 8,342,532.45                                              |
| Fund Balances, Beginning                                 | 11,806,562.76      | 11,806,562.76   | 11,806,562.76    |                                                           |
| <b>Fund Balances, Ending</b>                             | \$ 4,006,050.73    | \$ 3,757,644.01 | \$ 12,100,176.46 | \$ 8,342,532.45                                           |

| Special Revenue - Other Fund |                   |                 |                                                           | Special Revenue - Federal Economic Stimulus Fund |                 |               |                                                           |
|------------------------------|-------------------|-----------------|-----------------------------------------------------------|--------------------------------------------------|-----------------|---------------|-----------------------------------------------------------|
| Original<br>Budget           | Final<br>Budget   | Actual          | Variance with<br>Final Budget -<br>Positive<br>(Negative) | Original<br>Budget                               | Final<br>Budget | Actual        | Variance with<br>Final Budget -<br>Positive<br>(Negative) |
| \$ 53,853.07                 | \$ 1,007,774.74   | \$ 1,007,774.74 | \$                                                        | \$ 165,832.85                                    | \$ 109,716.53   | \$ 109,716.53 | \$                                                        |
| 1,696,210.51                 | 2,798,967.75      | 2,798,967.75    |                                                           |                                                  |                 |               |                                                           |
| 83,296.81                    | 97,945.81         | 97,945.81       |                                                           |                                                  |                 |               |                                                           |
|                              |                   |                 |                                                           |                                                  |                 |               |                                                           |
|                              |                   |                 |                                                           |                                                  |                 |               |                                                           |
| 1,833,360.39                 | 3,904,688.30      | 3,904,688.30    |                                                           | 165,832.85                                       | 109,716.53      | 109,716.53    |                                                           |
|                              |                   |                 |                                                           |                                                  |                 |               |                                                           |
| 867,096.12                   | 2,278,662.22      | 1,457,772.89    | 820,889.33                                                | 78,343.58                                        | 96,581.31       | 32,080.81     | 64,500.50                                                 |
| 188,272.26                   | 567,128.96        | 376,071.86      | 191,057.10                                                |                                                  |                 |               |                                                           |
| 59,082.96                    | 139,535.33        | 81,397.05       | 58,138.28                                                 |                                                  |                 |               |                                                           |
| 539,504.59                   | 922,606.37        | 593,313.41      | 329,292.96                                                | 43,344.70                                        | 61,352.21       | 51,003.63     | 10,348.58                                                 |
| 19,256.00                    | 60,718.70         |                 | 60,718.70                                                 |                                                  |                 |               |                                                           |
| 38,277.70                    | 90,297.07         | 54,523.41       | 35,773.66                                                 | 6,546.54                                         | 12,557.30       | 1,607.53      | 10,949.77                                                 |
|                              |                   |                 |                                                           |                                                  | 37,000.00       |               | 37,000.00                                                 |
|                              |                   |                 |                                                           |                                                  |                 |               |                                                           |
|                              |                   |                 |                                                           | 37,598.03                                        | 17,555.03       | 8,763.56      | 8,791.47                                                  |
| 2,360.00                     | 3,010.00          |                 | 3,010.00                                                  |                                                  |                 |               |                                                           |
| 8,826.67                     | 12,933.17         | 4,100.71        | 8,832.46                                                  |                                                  |                 |               |                                                           |
| 750.00                       | 750.00            |                 | 750.00                                                    |                                                  |                 |               |                                                           |
| 109,934.09                   | 1,063,765.79      | 1,063,765.79    |                                                           |                                                  |                 |               |                                                           |
|                              | 273,743.18        | 273,743.18      |                                                           |                                                  | 16,261.00       | 16,261.00     |                                                           |
| 1,833,360.39                 | 5,413,150.79      | 3,904,688.30    | 1,508,462.49                                              | 165,832.85                                       | 241,306.85      | 109,716.53    | 131,590.32                                                |
|                              | (1,508,462.49)    |                 | 1,508,462.49                                              |                                                  | (131,590.32)    |               | 131,590.32                                                |
|                              |                   |                 |                                                           |                                                  |                 |               |                                                           |
|                              |                   |                 |                                                           |                                                  |                 |               |                                                           |
|                              |                   |                 |                                                           |                                                  |                 |               |                                                           |
|                              | (1,508,462.49)    |                 | 1,508,462.49                                              |                                                  | (131,590.32)    |               | 131,590.32                                                |
|                              |                   |                 |                                                           |                                                  |                 |               |                                                           |
| \$ 0.00                      | \$ (1,508,462.49) | \$ 0.00         | \$ 1,508,462.49                                           | \$ 0.00                                          | \$ (131,590.32) | \$ 0.00       | \$ 131,590.32                                             |

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

| Actuarial<br>Valuation<br>Date | Actuarial Value<br>of Assets | Actuarial<br>Accrued<br>Liability (AAL) - (1) | Unfunded<br>AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a<br>Percentage of<br>Covered Payroll |
|--------------------------------|------------------------------|-----------------------------------------------|------------------------|--------------|-----------------|-----------------------------------------------|
|                                | (A)                          | (B)                                           | (B-A)                  | (A/B)        | (C)             | [(B-A)/C]                                     |
| October 1, 2007                | \$ 0                         | \$ 23,055,432                                 | \$ 23,055,432          | 0%           | \$ 19,813,662   | 116.36%                                       |
| October 1, 2010                | 0                            | 26,269,544                                    | 26,269,544             | 0%           | 18,282,593      | 143.69%                                       |
| October 1, 2012                | 0                            | 21,081,563                                    | 21,081,563             | 0%           | 17,815,524      | 118.33%                                       |

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

WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION  
TEN-YEAR CLAIMS DEVELOPMENT INFORMATION - PANHANDLE AREA EDUCATIONAL CONSORTIUM -  
RISK MANAGEMENT CONSORTIUM PROPERTY/CASUALTY PROGRAM  
For the Fiscal Year Ended June 30, 2013

|                                                                                      | 2004         | 2005         | 2006         | 2007          | 2008          | 2009         | 2010         | 2011         | 2012         | 2013         |
|--------------------------------------------------------------------------------------|--------------|--------------|--------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Net Earned Required Contribution and Investment Revenues:                            |              |              |              |               |               |              |              |              |              |              |
| Earned                                                                               | \$ 8,594,629 | \$ 8,685,394 | \$ 8,924,648 | \$ 10,569,582 | \$ 10,477,909 | \$ 9,867,184 | \$ 8,499,535 | \$ 7,618,906 | \$ 7,572,018 | \$ 8,114,560 |
| Excess Insured                                                                       | 3,541,645    | 3,391,913    | 3,425,355    | 4,974,901     | 5,129,437     | 4,848,596    | 4,682,139    | 4,280,708    | 4,175,550    | 4,517,971    |
| Total Net Earned Required Contribution and Investment Revenues                       | 5,052,984    | 5,293,481    | 5,499,293    | 5,594,681     | 5,348,472     | 5,018,588    | 3,817,396    | 3,338,198    | 3,396,468    | 3,596,589    |
| Unallocated Expenses                                                                 | 885,424      | 936,129      | 939,537      | 1,037,647     | 1,090,175     | 1,551,016    | 1,192,285    | 1,094,811    | 933,147      | 1,069,180    |
| Estimated Incurred Claims and Expense, End of Policy Year:                           |              |              |              |               |               |              |              |              |              |              |
| Incurred                                                                             | 3,177,302    | 2,986,565    | 3,344,584    | 2,676,832     | 3,630,953     | 3,345,898    | 2,517,852    | 3,560,000    | 2,565,000    | 3,980,500    |
| Excess Insured                                                                       | 490,083      | 301,207      | 167,359      | 112,240       | 200,000       | 26,000       |              |              |              | 1,060,500    |
| Total Estimated Incurred Claims and Expense, End of Policy Year                      | 2,687,219    | 2,685,358    | 3,177,225    | 2,564,592     | 3,430,953     | 3,319,898    | 2,517,852    | 3,560,000    | 2,565,000    | 2,920,000    |
| Net Paid (Cumulative) as of:                                                         |              |              |              |               |               |              |              |              |              |              |
| End of Policy Year                                                                   | 801,593      | 748,451      | 957,894      | 688,723       | 948,829       | 949,419      | 641,794      | 1,296,831    | 760,830      | 838,114      |
| One Year Later                                                                       | 1,652,454    | 1,476,847    | 1,840,666    | 1,678,444     | 2,171,636     | 1,865,986    | 1,405,091    | 2,553,970    | 1,492,163    |              |
| Two Years Later                                                                      | 1,917,839    | 1,789,931    | 2,623,062    | 2,180,460     | 2,498,780     | 2,351,378    | 1,821,551    | 3,163,562    |              |              |
| Three Years Later                                                                    | 2,216,871    | 2,301,343    | 2,810,264    | 2,319,831     | 2,533,577     | 2,436,759    | 2,025,296    |              |              |              |
| Four Years Later                                                                     | 2,320,070    | 2,314,401    | 2,927,564    | 2,422,083     | 2,543,417     | 2,441,781    |              |              |              |              |
| Five Years Later                                                                     | 2,384,102    | 2,333,832    | 2,977,784    | 2,439,511     | 2,553,564     |              |              |              |              |              |
| Six Years Later                                                                      | 2,399,667    | 2,341,139    | 2,947,810    | 2,441,678     |               |              |              |              |              |              |
| Seven Years Later                                                                    | 2,413,252    | 2,356,213    | 2,966,341    |               |               |              |              |              |              |              |
| Eight Years Later                                                                    | 2,428,229    | 2,360,475    |              |               |               |              |              |              |              |              |
| Nine Years Later                                                                     | 2,547,826    |              |              |               |               |              |              |              |              |              |
| Reestimated Excess Insured Claims and Expense                                        | 541,120      | 737,674      | 392,017      | 537,322       | 344,476       | 233,979      | 63,000       | 1,112,864    | 98,971       | 1,060,500    |
| Reestimated Net Incurred Claims and Expense:                                         |              |              |              |               |               |              |              |              |              |              |
| End of Policy Year                                                                   | 2,687,219    | 2,685,358    | 3,177,225    | 2,564,592     | 3,430,953     | 3,319,898    | 2,517,852    | 3,560,000    | 2,565,000    | 2,920,000    |
| One Year Later                                                                       | 2,812,113    | 2,507,011    | 3,265,226    | 3,063,890     | 3,510,583     | 3,056,882    | 2,470,000    | 3,895,000    | 2,375,000    |              |
| Two Years Later                                                                      | 2,938,031    | 2,569,324    | 3,546,669    | 2,769,356     | 3,066,976     | 2,915,145    | 2,416,504    | 3,832,902    |              |              |
| Three Years Later                                                                    | 2,755,415    | 2,676,184    | 3,213,761    | 2,737,164     | 2,835,710     | 2,800,145    | 2,356,702    |              |              |              |
| Four Years Later                                                                     | 2,504,088    | 2,488,072    | 3,238,651    | 2,621,352     | 2,695,711     | 2,570,145    |              |              |              |              |
| Five Years Later                                                                     | 2,558,025    | 2,518,287    | 3,124,564    | 2,580,594     | 2,675,711     |              |              |              |              |              |
| Six Years Later                                                                      | 2,546,591    | 2,453,720    | 3,080,832    | 2,570,594     |               |              |              |              |              |              |
| Seven Years Later                                                                    | 2,519,838    | 2,443,720    | 3,048,834    |               |               |              |              |              |              |              |
| Eight Years Later                                                                    | 2,509,838    | 2,443,720    |              |               |               |              |              |              |              |              |
| Nine Years Later                                                                     | 2,504,838    |              |              |               |               |              |              |              |              |              |
| Increase (Decrease) in Estimated Incurred Claims and Expense from End of Policy Year | (182,381)    | (241,638)    | (128,391)    | 6,002         | (755,242)     | (749,753)    | (161,150)    | 272,902      | (190,000)    | 0            |

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2013**

**I. BUDGETARY BASIS OF ACCOUNTING**

The Board follows procedures established by State statutes and SBE 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 SBE 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.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

**II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS**

The October 1, 2012, unfunded actuarial accrued liability of \$21,081,563 was significantly lower than the October 1, 2010, liability of \$26,269,544 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- The number of retirees currently receiving postemployment health benefits through the District core plan increased from 185 in the October 1, 2010, valuation to 209 in the October 1, 2012, valuation. At the same time, the number of active employees eligible for future postemployment benefits decreased from 491 to 421 in the October 1, 2012, valuation. These combined population changes decreased the cost and liability in the October 1, 2012, valuation.
- The total cost of coverage decreased from \$650 per employee per month (as expected for the OPEB Plan year beginning October 1, 2010) to \$618 per employee for the year beginning October 1, 2012, which is lower than the projected \$768 per employee per month. This change substantially decreased the cost and liability in the October 1, 2012, valuation.
- Retiree medical coverage acceptance and continuation assumptions were revised. In the October 1, 2012, valuation, the assumption was the trends for costs and premiums to be 8 percent for the year beginning October 1, 2013, with subsequent trend rates decreasing 0.50 percent each year thereafter to the ultimate value of 5 percent. Revisions were made to the trend rates for costs and premiums charged to retirees for the year beginning October 1, 2013, to be 8.5 percent higher than for the year beginning October 1, 2012. A similar pattern was then followed: 8 percent for costs and premiums for the year beginning October 1, 2014, and decreasing 0.50 percent each subsequent year until reaching the ultimate value of 5 percent. This change increased the cost and liability in the October 1, 2012, valuation.

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
JUNE 30, 2013**

- The District Plan is projected to be assessed the Excise Tax on High-Cost Employer Health Plans beginning with the 2030 plan year. Absent any plan changes, this tax is estimated to result in a 0.0435 percent increase in the cost of coverage for the plan year 2030 (and all subsequent years), in addition to 5 percent medical inflation assumed for that year for a total increase of 5.435 percent over the 2029 plan year. This change increased the cost and liability in the October 1, 2012, valuation.
- Revisions were made to certain demographic assumptions to reflect changes made to the Florida Retirement System for the July 1, 2011, actuarial valuation, increasing the cost and liability in the October 1, 2012, valuation.

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2013**

| Federal Grantor/Pass-Through Grantor/Program Title                                             | Catalog of<br>Federal<br>Domestic<br>Assistance<br>Number | Pass -<br>Through<br>Grantor<br>Number       | Amount of<br>Expenditures<br>(1) | Amount<br>Provided<br>to<br>Subrecipients |
|------------------------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------|----------------------------------|-------------------------------------------|
| <b>United States Department of Agriculture:</b>                                                |                                                           |                                              |                                  |                                           |
| Indirect:                                                                                      |                                                           |                                              |                                  |                                           |
| Child Nutrition Cluster:                                                                       |                                                           |                                              |                                  |                                           |
| Florida Department of Agriculture and Consumer Services:                                       |                                                           |                                              |                                  |                                           |
| School Breakfast Program                                                                       | 10.553                                                    | 321                                          | \$ 265,467.67                    | \$                                        |
| National School Lunch Program                                                                  | 10.555 (2)(A)                                             | 300, 350                                     | 1,013,575.83                     |                                           |
| <b>Total United States Department of Agriculture</b>                                           |                                                           |                                              | <b>1,279,043.50</b>              |                                           |
| <b>United States Department of Labor:</b>                                                      |                                                           |                                              |                                  |                                           |
| Indirect:                                                                                      |                                                           |                                              |                                  |                                           |
| The Agricultural and Labor Program, Inc.:                                                      |                                                           |                                              |                                  |                                           |
| National Farmworker Jobs Program                                                               | 17.264                                                    | None                                         | 72,069.21                        |                                           |
| Chipola College:                                                                               |                                                           |                                              |                                  |                                           |
| H-1B Job Training Grants                                                                       | 17.268                                                    | HG 22727-12-60A-12                           | 68,530.80                        |                                           |
| <b>Total United States Department of Labor</b>                                                 |                                                           |                                              | <b>140,600.01</b>                |                                           |
| <b>United States Department of Energy:</b>                                                     |                                                           |                                              |                                  |                                           |
| Indirect:                                                                                      |                                                           |                                              |                                  |                                           |
| University of Central Florida:                                                                 |                                                           |                                              |                                  |                                           |
| ARRA - State Energy Program                                                                    | 81.041 (2)(B)                                             | None                                         | 64,566.47                        |                                           |
| <b>United States Department of Education:</b>                                                  |                                                           |                                              |                                  |                                           |
| Direct:                                                                                        |                                                           |                                              |                                  |                                           |
| Federal Pell Grant Program                                                                     | 84.063                                                    | N/A                                          | 1,007,774.74                     |                                           |
| Indirect:                                                                                      |                                                           |                                              |                                  |                                           |
| Special Education Cluster:                                                                     |                                                           |                                              |                                  |                                           |
| Florida Department of Education:                                                               |                                                           |                                              |                                  |                                           |
| Special Education - Grants to States                                                           | 84.027 (3)                                                | 262, 263                                     | 2,160,062.43                     | 25,651.75                                 |
| Special Education - Preschool Grants                                                           | 84.173                                                    | 266, 267                                     | 413,119.78                       |                                           |
| Putnam County District School Board:                                                           |                                                           |                                              |                                  |                                           |
| Special Education - Grants to States                                                           | 84.027 (3)                                                | None                                         | 12,042.50                        |                                           |
| University of South Florida:                                                                   |                                                           |                                              |                                  |                                           |
| Special Education - Grants to States                                                           | 84.027 (3)                                                | None                                         | 14,753.49                        |                                           |
| <b>Total Special Education Cluster</b>                                                         |                                                           |                                              | <b>2,599,978.20</b>              | <b>25,651.75</b>                          |
| Florida Department of Education:                                                               |                                                           |                                              |                                  |                                           |
| Adult Education - Basic Grants to States                                                       | 84.002                                                    | 191                                          | 201,391.39                       |                                           |
| Title I Grants to Local Educational Agencies                                                   | 84.010                                                    | 212, 226                                     | 1,446,844.41                     | 1,255.72                                  |
| Migrant Education - State Grant Program                                                        | 84.011                                                    | 217                                          | 1,555,409.61                     | 165,791.58                                |
| Title I State Agency Program for Neglected and Delinquent Children and Youth                   | 84.013                                                    | 216                                          | 144,149.56                       |                                           |
| Career and Technical Education - Basic Grants to States                                        | 84.048                                                    | 151                                          | 215,361.23                       |                                           |
| Education for Homeless Children and Youth                                                      | 84.196                                                    | 127                                          | 202,660.65                       | 1,525.85                                  |
| Rural Education                                                                                | 84.358                                                    | 110                                          | 128,115.00                       |                                           |
| Voluntary Public School Choice                                                                 | 84.361                                                    | 299                                          | 31,045.96                        |                                           |
| Improving Teacher Quality State Grants                                                         | 84.367 (4)                                                | 224                                          | 263,744.48                       |                                           |
| Striving Readers                                                                               | 84.371                                                    | 503                                          | 158,889.03                       | 29,564.45                                 |
| ARRA - Statewide Data Systems, Recovery Act                                                    | 84.384                                                    | 101                                          | 47,607.77                        |                                           |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395 (5)                                                | PA111, PU111, RL111,<br>RA311, RD211, RS411, | 2,659,213.46                     | 1,195,713.73                              |
| Florida State University:                                                                      |                                                           |                                              |                                  |                                           |
| Mathematics and Science Partnerships                                                           | 84.366                                                    | RO1440, RO1614                               | 160,576.95                       | 70,750.27                                 |
| Florida Gulf Coast University:                                                                 |                                                           |                                              |                                  |                                           |
| Improving Teacher Quality State Grants                                                         | 84.367(4)                                                 | ORSP-11022D-26541-9                          | 26,912.55                        |                                           |
| Gulf Coast State College:                                                                      |                                                           |                                              |                                  |                                           |
| Improving Teacher Quality State Grants                                                         | 84.367 (4)                                                | None                                         | 298,459.09                       | 48,280.48                                 |
| Public Consulting Group:                                                                       |                                                           |                                              |                                  |                                           |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395 (5)                                                | None                                         | 203,594.43                       | 3,067.62                                  |
| Putnam County District School Board:                                                           |                                                           |                                              |                                  |                                           |
| ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395 (5)                                                | None                                         | 911.09                           |                                           |
| <b>Total Indirect</b>                                                                          |                                                           |                                              | <b>10,344,864.86</b>             | <b>1,541,601.45</b>                       |
| <b>Total United States Department of Education</b>                                             |                                                           |                                              | <b>11,352,639.60</b>             | <b>1,541,601.45</b>                       |
| <b>United States Department of Health and Human Services:</b>                                  |                                                           |                                              |                                  |                                           |
| Indirect:                                                                                      |                                                           |                                              |                                  |                                           |
| Florida Department of Health:                                                                  |                                                           |                                              |                                  |                                           |
| Injury Prevention and Control Research and State and Community Based Programs                  | 93.136                                                    | COH6U                                        | 78,820.51                        | 39,859.09                                 |
| Chemical Addictions Recovery Effort, Inc.:                                                     |                                                           |                                              |                                  |                                           |
| Block Grants for Prevention and Treatment of Substance Abuse                                   | 93.959                                                    | None                                         | 32,128.10                        |                                           |
| <b>Total United States Department of Health and Human Services</b>                             |                                                           |                                              | <b>110,948.61</b>                | <b>39,859.09</b>                          |
| <b>United States Department of Defense:</b>                                                    |                                                           |                                              |                                  |                                           |
| Direct:                                                                                        |                                                           |                                              |                                  |                                           |
| Army Junior Reserve Officers Training Corps                                                    | None                                                      | N/A                                          | 113,880.70                       |                                           |
| <b>Total Expenditures of Federal Awards</b>                                                    |                                                           |                                              | <b>\$ 13,061,678.89</b>          | <b>\$ 1,581,460.54</b>                    |

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

(2) Noncash Assistance:

- (A) National School Lunch Program - Includes \$88,973.00 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.  
 (B) State Energy Program - Includes \$64,566.47 representing the Federally-paid portion of solar panels and related site preparation and installation and training costs.  
 (3) Special Education Grants to States, Total CFDA No. 84.027 expenditures: \$2,186,858.42.  
 (4) Improving Teacher Quality State Grants, Total CFDA No. 84.367 expenditures: \$589,116.12.  
 (5) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act, Total CFDA No. 84.395 expenditures: \$2,863,718.98.



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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*

### Report on the Financial Statements

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington County District School Board as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 28, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds, as described in our report on the Washington County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### 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.

### Purpose of this Report

The purpose of the **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 solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
January 28, 2014



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

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The President of the Senate, the Speaker of the  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

### Report on Compliance for Each Major Federal Program

We have audited the Washington County District School Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2013. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

#### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of 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, 2013.

**Report on Internal Control Over Compliance**

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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. *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.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
January 28, 2014

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

|                                                       |               |
|-------------------------------------------------------|---------------|
| Type of auditor's report issued:                      | Unmodified    |
| Internal control over financial reporting:            |               |
| Material weakness(es) identified?                     | No            |
| Significant deficiency(ies) identified?               | 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?                                                                                   | None reported                                                                                        |
| Type of auditor's report issued on compliance for major programs:                                                         | Unmodified                                                                                           |
| Any audit findings disclosed that are required to be reported<br>in accordance with Section 510(a) of OMB Circular A-133? | No                                                                                                   |
| Identification of major programs:                                                                                         |                                                                                                      |
| CFDA Numbers:                                                                                                             | Name of Federal Program or Cluster:                                                                  |
| 84.027 and 84.173                                                                                                         | Special Education Cluster                                                                            |
| 84.048                                                                                                                    | Career and Technical Education – Basic<br>Grants to States                                           |
| 84.063                                                                                                                    | Federal Pell Grant Program                                                                           |
| 84.395                                                                                                                    | ARRA - State Fiscal Stabilization Fund<br>(SFSF) - Race-to-the-Top Incentive<br>Grants, Recovery Act |
| Dollar threshold used to distinguish between<br>Type A and Type B programs:                                               | \$391,850                                                                                            |
| Auditee qualified as low-risk auditee?                                                                                    | No                                                                                                   |

**WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**ADDITIONAL MATTERS**

**Finding No. 1: Contractual Services**

The Board routinely enters into contracts for services, and internal controls have been designed and implemented to ensure payments are generally consistent with contract terms and conditions. To determine the propriety of payments for contractual services, we tested 12 payments for the 2012-13 fiscal year to eight vendors totaling \$208,846 and noted controls could be enhanced as follows:

- District personnel indicated that the Sheriff provided three full-time school resource officers (SROs) for certain schools pursuant to Section 1006.12, Florida Statutes. After these SRO services were substantially provided, the Board approved a 2012-13 fiscal year contract with the Sheriff in May 2013, retroactive to August 2012, and paid \$106,937 for the SRO services. District personnel indicated that untimely approval of the SRO contract occurred from an oversight caused by a change in superintendents during the 2012-13 fiscal year. Although the District relied on the school administrators to monitor SRO services, the District did not maintain records, such as sign-in, sign-out sheets, to evidence that District personnel with direct knowledge of the SRO services confirmed satisfactory receipt of the services.
- The Board approved a proposal for occupational therapy services received from a service provider. According to the proposal, the service provider was to be paid various rates, such as \$85 per hour at a maximum of 38 hours per week for certain services. Schools maintained sign-in, sign-out sheets to evidence satisfactory receipt of the services, and the District paid \$126,713 for the services. However, District personnel did not reconcile these payments to the Board-approved service provider proposal and sign-in, sign-out sheets. While our test of three payments totaling \$49,193 to the service provider disclosed that payments agreed with the provider's proposal and sign-in, sign-out sheets, our test does not substitute for management's responsibility to establish adequate control procedures.

Without contracts to establish expected services, documented receipt of services by personnel with direct knowledge of such services, and reconciliation of documented services received and related costs to service provider proposals before payments are made, there is an increased risk of overpayment or that services may not be consistent with Board intent. A similar finding was noted in our report No. 2013-120.

**Recommendation: The District should enhance procedures to ensure that the Board approves contracts before services are received, services and related costs reconcile to service provider proposals, and satisfactory receipt of services is documented before payments are made.**

**Finding No. 2: Tangible Personal Property**

Chapter 274, Florida Statutes, and Department of Financial Services Rule 69I-73, Florida Administrative Code, require that tangible personal property (TPP) be inventoried annually, that the inventory be compared with the TPP records, and that all discrepancies be reconciled. Effective internal controls over TPP should provide for timely completion, reconciliation, and follow-up of reconciling items noted during the annual physical inventory. Items not located during the physical inventory must be investigated and, if still not located, must be reported as missing to the appropriate law enforcement agency. At June 30, 2013, the District reported, net of accumulated depreciation,

\$63.5 million of capital assets, of which \$4.4 million was TPP (i.e., furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software).

During the 2012-13 fiscal year, the District completed physical inventories of TPP for 14 of the District's 18 cost centers; however, as of October 2013, District personnel had not completed physical inventories at the 4 remaining cost centers. The recorded TPP at the 4 locations was \$1.1 million, net of accumulated depreciation, at June 30, 2013, which represents 25 percent of the total reported TPP. District personnel indicated that, because of the limited number of staff, the inventory procedures were not finished during the 2012-13 fiscal year. Subsequent to our inquiry in December 2013, the District completed the TPP inventory procedures at the 4 cost centers.

Without an annual physical inventory of all TPP, there is an increased risk that the District may be unaware of stolen property items and the District may not timely report such items to the appropriate law enforcement agency.

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**Recommendation: The District should strengthen controls over TPP to ensure physical inventories of all TPP are prepared annually, reconciled to the property records, and discrepancies thoroughly investigated and resolved.**

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### **Finding No. 3: Bus Drivers**

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State Board of Education Rule 6A-3.0141(4) and (9), Florida Administrative Code, require that the District ensure that personnel, prior to transporting students on school buses, hold valid commercial driver licenses with passenger and school bus endorsements and be physically capable of operating the vehicles as determined by a physician and documented on a Florida Department of Education (FDOE) physical examination form. Also, Section 322.21(8), Florida Statutes, requires individuals to pay a fee to have their commercial driver license reinstated after disqualification of their license.

The District employed 63 bus drivers during the 2012-13 fiscal year and monitoring procedures over school bus drivers were generally adequate. District personnel weekly reviewed bus driver history records from the Florida Department of Highway Safety and Motor Vehicles (FDHSMV) database to confirm that drivers were appropriately licensed. However, our comparison of District records and FDHSMV records disclosed two bus drivers had suspended commercial vehicle driving licenses while one bus driver drove school buses for a total of three days in July and August 2012, and the other bus driver drove regularly scheduled bus routes from August 2012 to October 2013. The District was aware that the FDHSMV notified the two bus drivers that the drivers' licenses were initially suspended for the lack of physical examination forms, and the bus drivers submitted the required forms to FDHSMV; however, the District was unaware that the licenses remained suspended for unpaid reinstatement fees. The FDHSMV received the reinstatement fee and restored the license of one of the bus drivers in August 2012, which was before our inquiry. Subsequent to our inquiry in October 2013, the FDHSMV received the reinstatement fee and restored the license of the other bus driver.

To promote school bus safety and to reduce the risk of accidents caused by school bus drivers, it is important that the District ensure that valid FDOE physical examination forms are maintained and timely submitted and reinstatement fees paid as required to ensure the drivers meet the requirements to operate school buses.

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**Recommendation: The District should enhance its procedures to ensure that school bus drivers are appropriately licensed to drive school buses.**

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**Finding No. 4: Food Service Sales**

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For the 2012-13 fiscal year, the District reported local food service revenues totaling \$413,000, of which \$187,000 represented food service revenues for a lunchroom shared by Roulhac Middle School and Chipley High School. In addition to providing meals for the two schools, District personnel at the shared lunchroom provided meals to a private school and, for the 2012-13 fiscal year, food service sales to the private school totaled \$12,600.

Private school personnel prepared a daily spreadsheet that listed the number of meals that would be needed for the private school students and adults by classes and free, reduced price, and paid meals, and provided the spreadsheet with the daily food service cash collections to a shared lunchroom cashier. A cashier entered each meal using the private school student and adult identification numbers from the spreadsheet into a point-of-sale system, counted the total moneys collected, and placed the collections in the cashier's drawer. Monthly, the private school's administrator and the shared lunchroom manager signed the spreadsheet; however, District personnel did not reconcile the food service cash collected from the private school to the information listed on the spreadsheet or the point-of-sale system. In addition, the spreadsheet did not identify the cash collections or moneys transferred from the private school to the shared lunchroom, and other records, such as transfer receipts, were not used to establish responsibility for collections transferred from the private school to the shared lunchroom. Further, alternative procedures, such as the use of plate counts or inventory controls, were not in place to account for food service sales to the private school.

Our review did not disclose any significant differences between the shared lunchroom point-of-sale system food service sales and cash collections. However, the absence of controls to verify private school food service collections increases the risk of errors or fraud without timely detection, and the lack of transfer receipts indicating who is responsible for such collections would make it difficult to fix accountability should a loss of collections occur. A similar finding was noted in our report No. 2013-120.

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**Recommendation: The District should enhance its controls over food service sales to the private school to ensure cash collected reconciles to food service sales and use of signed receipts to establish responsibility for cash transferred from the private school to the District's shared lunchroom.**

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**Finding No. 5: Facilities Management**

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The facilities and maintenance department is responsible for managing outsourced construction and renovation projects, maintenance of schools and ancillary facilities, and ensuring facilities are safe and suitable for their intended use. During the 2012-13 fiscal year, the District employed six facilities and maintenance department employees, and the department's operating cost was \$840,615. Also during this fiscal year, the District had expenditures totaling approximately \$1.2 million for renovation projects, including an energy savings project. As shown on the District's Five-Year Facilities Work Plan as approved by the Board on September 30, 2013, the District planned to spend \$5.5 million on construction and renovation projects and \$1.4 million on maintenance over the next five fiscal years. In addition, although not included on the Five-Year Work Plan, the District has applied to the FDOE for Special Facilities Funding for a new school with a planned cost of \$28 million to be spent in the next five fiscal years if approved. At June 30, 2013, the historical cost of the District's educational and ancillary facilities, including land purchases, was \$79.6 million and, as shown on FDOE's Florida Inventory of School Houses data, District facilities had an average age of 27 years.

Given the significant commitment of public funds to construct and maintain educational facilities, it is important that the District establish written policies and procedures for evaluating the effectiveness and efficiency of facility

operations at least annually using performance data and established benchmarks, and establish documented processes for evaluating facilities construction methods and maintenance techniques to determine the most cost-effective and efficient method or technique. In addition, performance evaluations could include established goals for facilities and maintenance operations, and measurable objectives or benchmarks that are clearly defined, to document the extent to which goals and accountability for facilities and maintenance department employees are achieved. While our review indicated that District procedures were generally adequate, we noted enhancements could be made, as follows:

- **Alternative Construction Methods or Maintenance Techniques.** The District primarily awards construction contracts to design professionals and construction contractors using traditional bid-build methods and construction manager at risk methods. In addition, renovation, remodeling, and maintenance-related jobs, such as painting, plumbing, electrical, and heating, ventilation, and air-conditioning repairs, are routinely performed by facilities and maintenance department personnel based on safety and suitability priorities, although some jobs are outsourced to vendors. District personnel indicated that they had not established written policies and procedures for evaluating the various construction methods or maintenance-related job techniques and, while they consider alternative methods and techniques, they have not documented evaluations of the various approaches to determine, for each major construction project or significant maintenance-related job, which would be most cost-effective and beneficial. Board-approved policies and procedures, and documented evaluations, may provide additional assurance that the District uses the most cost-effective and beneficial construction method or maintenance techniques.
- **Accountability.** Although the facilities and maintenance department had established procedures such as enhanced use of software to assign jobs to maintenance employees and to track work order open and close dates, it had not established goals that identify efficiency or cost-effectiveness outcomes. To adequately establish outcome measures, the facilities and maintenance department could set goals such as completing renovation or remodeling projects, or maintenance-related jobs, that meet or exceed building code industry standards at the lowest possible cost. Progress in attaining the goals could be measured by developing accountability systems to monitor work orders for return assignments or corrective action because a project or job did not initially meet building code requirements, and to compare project or job costs to industry standards for similar work.

Additional goals could include setting benchmark time frames for routine projects or jobs, and progress toward meeting the goals could be measured by comparing project or job completion times to industry standards for similar work. Establishing goals that focus on accountability and measurable objectives and benchmarks could assist the District in determining whether its facilities and maintenance department is operating as cost-effectively and efficiently as possible.

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**Recommendation:** The District should consider developing written policies and procedures requiring periodic evaluations of alternative facilities construction methods and significant maintenance-related job techniques, and document these evaluations. In addition, the District should consider developing goals and objectives for the facilities and maintenance department to identify cost-effectiveness or efficiency outcomes for department personnel.

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

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Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, and provisions for incident response training, notification to affected parties, and incident analysis and assessment of additional actions needed.

As of December 2013, the District had not developed a written security incident response plan. Should an event occur that involves the potential or actual compromise, loss, or destruction of District data or information technology

(IT) resources, the lack of an adequate written security response plan may result in the District's failure to take appropriate and timely actions to prevent further loss or damage to District data and IT resources. Similar findings were noted in our report Nos. 2012-154 and 2013-120.

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

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**Finding No. 7: Information Technology – User Authentication, Data Loss Prevention, Logging and Monitoring of Network Security Events, and Management of Access Privileges**

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Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District security controls related to user authentication, data loss prevention, logging and monitoring of network security events, and management of access privileges needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to user authentication, data loss prevention, logging and monitoring of network security events, and management of access privileges, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings related to data loss prevention and management of access privileges were communicated to District management in connection with our report Nos. 2012-154 and 2013-120.

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

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### PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2013-120. The following table provides information on District recurring audit findings:

| Current Fiscal Year Finding Numbers | 2011-12 Fiscal Year Audit Report and Finding Numbers | 2010-11 Fiscal Year Audit Report and Finding Numbers |
|-------------------------------------|------------------------------------------------------|------------------------------------------------------|
| 1                                   | Audit Report No. 2013-120, Finding No. 4             | NA                                                   |
| 4                                   | Audit Report No. 2013-120, Finding No. 3             | NA                                                   |
| 6                                   | Audit Report No. 2013-120, Finding No. 8             | Audit Report No. 2012-154, Finding No. 6             |
| 7                                   | Audit Report No. 2013-120, Finding No. 9             | Audit Report No. 2012-154, Finding No. 7             |

NA – Not Applicable (Note: Above chart limits recurring findings to two previous audit reports.)

### MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*WASHINGTON COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2013*

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

| Audit Report No.<br>and Federal<br>Awards Finding No. | Program/ Area                                                                                                         | Brief Description                                                                                                                                                                              | Status     | Comments |
|-------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----------|
| 2012-154<br>(1)                                       | Voluntary Public School Choice<br>(CFDA No. 84.361) - Allowable<br>Costs/ Cost Principles, Subrecipient<br>Monitoring | The District, as fiscal agent for the Panhandle Area<br>Educational Consortium (PAEC), could enhance<br>procedures to document allowability of costs and<br>subrecipient monitoring.           | Corrected. |          |
| 2013-120<br>(1)                                       | Voluntary Public School Choice<br>(CFDA No. 84.361) - Subrecipient<br>Monitoring                                      | The District, as fiscal agent for the PAEC, did not have<br>adequate controls over Federal funds passed through to<br>a nonprofit corporation for the Voluntary Public School<br>Choice grant. | Corrected. |          |
| 2013-120<br>(2)                                       | Federal Pell Grant Program (CFDA<br>No. 84.063) - Special Tests and<br>Provisions                                     | Controls over Federal Pell Grant Program<br>disbursements could be enhanced.                                                                                                                   | Corrected. |          |

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE**



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

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

District 1  
Vann Brock  
1160 Whittington Road, Chipley  
District 2  
Wayne C. Saunders  
847 Candy Lane, Chipley  
District 3  
Milton Brown  
3399 Mallory Road, Vernon  
District 4  
Terry Ellis  
1306 Pinebluff Court, Chipley  
District 5  
Susan G. Roberts  
1456 State Park Road, Chipley

January 28, 2014

The Honorable David W. Martin, CPA  
Auditor General  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Mr. Martin:

In accordance with Section 11.45(4)(d), Florida Statutes, I acknowledge receipt of the preliminary and tentative findings resulting from the financial, Federal, and operational audit of the Washington County District School Board for the Fiscal Year Ended June 30, 2013. Individual responses are listed below:

**Finding No. 1: Contractual Services**

The SRO contract for the 2013-14 fiscal year was approved by the board on June 10, 2013. To evidence SRO services have been satisfactorily performed according to the contract, principals of the schools served will confirm receipt of services by certifying in writing on a monthly basis to the Facilities Director. The payment of invoices will be held pending receipt of all certifications.

Other service providers utilize sign-in, sign-out sheets at the school site where services are performed. The sheets are maintained at the school site and remitted to the district office at month end. District personnel will reconcile the sheets with the invoice and provider proposal before payment is made. The reconciled sign-in, sign-out sheets will be maintained at the district office.

**Finding No. 2: Tangible Personal Property**

District personnel will adhere to a schedule that allows for all cost center tangible personal property to be inventoried, and reconciled to the property records with any discrepancies thoroughly investigated and resolved.

**Finding No. 3: Bus Drivers**

The District has implemented the following procedures to ensure that school bus drivers are appropriately licensed to drive school buses. The transportation secretary will review the bus driver information report (F62.324) generated through the North West Data Center weekly noting any pending sanctions. Any driver with sanctions will be notified immediately and instructed to comply with the department's regulations by the sanction deadline. Once the driver states he/she has complied, the

"Quality Education Today For A Better Tomorrow"

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

secretary will review the report again to ensure the sanction has been removed. Drivers failing to comply will be immediately removed from driving.

**Finding No. 4: Food Service Sales**

The District will require the lunchroom cashier to reconcile the cash collected with the daily spreadsheet prepared by the private school that lists the number of meals needed. The cashier will prepare a signed receipt for the daily food service cash collected from the private school.

**Finding No. 5: Facilities Management**

The Washington County School District is a small school district with a maintenance department consisting of 7 personnel with various trade specialties (i.e. plumbing, electrical, air conditioning, carpentry and painting). The maintenance department is expected to perform routine maintenance procedures. The Facilities Director and Superintendent consider other cost-effective techniques for projects requiring greater expertise.

The District will be participating with the Panhandle Area Educational Consortium and other small rural districts in the development of written policies and procedures for evaluating the effectiveness and efficiency of facility operations, and for evaluating facilities construction methods and maintenance-related job techniques.

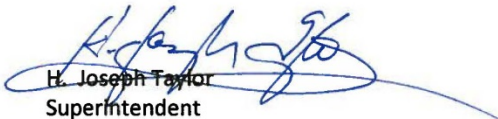
**Finding No. 6: Information Technology – Security Incident Response Plan**

The District has prepared a draft Security Incident Response Plan. The plan is in the review process and will be presented to the board for approval by March 2014.

**Finding No. 7: Information Technology – User Authentication, Data Loss Prevention, Logging and Monitoring of Network Security Events and Management of Access Privileges**

The District has improved the IT security controls for user authentication, data loss prevention, logging and monitoring of network security events and management of access privileges.

Sincerely,

  
H. Joseph Taylor  
Superintendent

HJT:lcc