

STATE OF FLORIDA AUDITOR GENERAL

Financial, Operational, and Federal Single Audit

Report No. 2016-122
March 2016

WASHINGTON COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2015



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2014-15 fiscal year, Herbert J. Taylor served as Superintendent and the following individuals served as Board members:

	<u>District No.</u>
Vann Brock, Vice Chair from 11-18-14	1
Wayne C. Saunders	2
Milton L. Brown, Chair from 11-18-14	3
Terry Ellis, Chair to 11-17-14	4
Susan G. Roberts, Vice Chair to 11-17-14	5

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 team leader was Jason R. Law, and the audit was supervised by Shelly G. Curti, CPA.

Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Supervisor, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

Additional Matters

Finding 1: Controls over virtual instruction program (VIP) operations and related activities continue to need enhancement. The development and maintenance of comprehensive, written VIP policies and procedures could better ensure that evidence of required background screenings for VIP provider employees is obtained, a determination of the reasonableness of student-teacher ratios is documented, and VIP provider contracts include all necessary provisions.

Finding 2: The District's information technology (IT) disaster recovery plan could be enhanced.

Finding 3: District security controls related to data loss prevention and management of IT access privileges continue to need improvement.

Finding 4: The District had not implemented an IT security awareness training program.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster, Title I, Migrant Education, and Temporary Assistance for Needy Families 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, except for the Title I Program. A noncompliance and control deficiency finding is summarized below.

Federal Awards Finding No. 2015-001: Title I Program resources were not properly allocated to schools, resulting in questioned costs totaling \$407,527.89.

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. 2015-143.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2015. 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, in both 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.



Sherrill F. Norman, 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, 2015, 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 13 percent of the assets and 25 percent of the liabilities of the aggregate remaining fund information. Those 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 from 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 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 of the Washington County District School Board, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note II. to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

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, Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan, Schedule of District Contributions – Florida Retirement System Pension Plan, Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan, Schedule of District Contributions – Health Insurance Subsidy Pension 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 accompanying **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 accompanying **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 District'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 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,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 11, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Washington County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2015. 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 2014-15 fiscal year are as follows:

- In total, net position decreased \$8,086,052.75, which represents a 10 percent decrease from the 2013-14 fiscal year. This is mainly due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68 (which resulted in a decrease in beginning net position of \$16,161,081) partially offset by the receipt of Public Education Capital Outlay (PECO) Special Facilities funding for construction of a new elementary school.
- General revenues total \$43,789,628.53, or 69.5 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$19,211,283.48, or 30.5 percent of all revenues.
- Expenses total \$54,925,883.76. Only \$19,211,283.48 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$10,408,365.95, which is \$545,299.61 more than the prior fiscal year balance. The General Fund total assigned and unassigned fund balances were \$3,250,745.66, or 10.5 percent of total General Fund revenues.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

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, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and

deferred inflows of resources, 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 financial 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. Additionally, all capital and debt financing activities are reported as governmental 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 the 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 Capital Projects – Public Education

Capital Outlay Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

- Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. Enterprise funds are appropriate for activities in which a fee is charged to external users of the District's goods and services.
- Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the 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, PAEC – Risk Management Health Fund, and PAEC – Programs Other Than Risk Management Fund. In addition, the internal service fund is a single column in the proprietary fund financial statements.

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

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

Notes to Financial Statements

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

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, the District's proportionate share of the net pension liability, and 10-year claims information of the Risk Management Consortium Property/Casualty Program.

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, 2015, compared to net position as of June 30, 2014:

Net Position, End of Year

	Governmental Activities		Business-Type Activities		Total	
	6-30-15	6-30-14	6-30-15	6-30-14	6-30-15	6-30-14
Current and Other Assets	\$ 19,853,878.41	\$ 14,406,097.67	\$ 24,328,121.13	\$ 23,453,697.08	\$ 44,181,999.54	\$ 37,859,794.75
Capital Assets	68,361,258.85	62,710,486.03	1,916,444.09	2,021,441.28	70,277,702.94	64,731,927.31
Total Assets	88,215,137.26	77,116,583.70	26,244,565.22	25,475,138.36	114,459,702.48	102,591,722.06
Deferred Outflows of Resources	2,687,557.00	-	500,529.00	-	3,188,086.00	-
Long-Term Liabilities	20,648,688.22	8,404,172.82	8,205,644.98	6,820,167.78	28,854,333.20	15,224,340.60
Other Liabilities	4,577,602.51	2,303,526.15	4,717,552.19	4,402,160.98	9,295,154.70	6,705,687.13
Total Liabilities	25,226,290.73	10,707,698.97	12,923,197.17	11,222,328.76	38,149,487.90	21,930,027.73
Deferred Inflows of Resources	5,835,801.00	-	1,086,858.00	-	6,922,659.00	-
Net Position:						
Net Investment in Capital Assets	66,108,194.19	62,580,486.03	1,916,444.09	2,021,441.28	68,024,638.28	64,601,927.31
Restricted	7,046,368.45	5,364,414.23	-	-	7,046,368.45	5,364,414.23
Unrestricted (Deficit)	(13,313,960.11)	(1,536,015.53)	10,818,594.96	12,231,368.32	(2,495,365.15)	10,695,352.79
Total Net Position	\$ 59,840,602.53	\$ 66,408,884.73	\$ 12,735,039.05	\$ 14,252,809.60	\$ 72,575,641.58	\$ 80,661,694.33

The largest portion of the District's net position is 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 represents resources that are subject to external restrictions on how they may be used.

The District's unrestricted net position decreased \$13,190,717.94 as compared to June 30, 2014. The decrease was primarily because the District participates in the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit pension plan administered by Florida Division of Retirement. As a participating employer, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. (see Note II. to the financial statements.)

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2015, and June 30, 2014, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities		Business-Type Activities		Total	
	6-30-15	6-30-14	6-30-15	6-30-14	6-30-15	6-30-14
Program Revenues:						
Charges for Services	\$ 1,353,256.71	\$ 1,223,501.83	\$ 8,976,155.76	\$ 8,914,823.83	\$ 10,329,412.47	\$ 10,138,325.66
Operating Grants and Contributions	1,373,223.29	1,350,159.01	252,464.93	290,421.00	1,625,688.22	1,640,580.01
Capital Grants and Contributions	7,256,182.79	211,311.00	-	-	7,256,182.79	211,311.00
General Revenues:						
Property Taxes, Levied for Operational Purposes	5,151,035.50	5,357,478.03	-	-	5,151,035.50	5,357,478.03
Property Taxes, Levied for Capital Projects	1,307,949.53	1,331,018.05	-	-	1,307,949.53	1,331,018.05
Grants and Contributions Not Restricted to Specific Programs	27,727,528.22	26,448,110.19	7,869,385.06	8,112,424.22	35,596,913.28	34,560,534.41
Unrestricted Investment Earnings	23,656.82	22,398.62	31,899.52	28,766.58	55,556.34	51,165.20
Miscellaneous	1,382,628.55	734,282.95	295,545.33	153,225.45	1,678,173.88	887,508.40
Total Revenues	45,575,461.41	36,678,259.68	17,425,450.60	17,499,661.08	63,000,912.01	54,177,920.76
Functions/Program Expenses:						
Instruction	19,135,017.53	19,698,688.11	-	-	19,135,017.53	19,698,688.11
Student Personnel Services	1,661,232.89	1,687,943.98	-	-	1,661,232.89	1,687,943.98
Instructional Media Services	532,190.35	557,350.18	-	-	532,190.35	557,350.18
Instruction and Curriculum Development Services	790,818.52	346,524.64	-	-	790,818.52	346,524.64
Instructional Staff Training Services	490,273.11	955,905.56	-	-	490,273.11	955,905.56
Instructional-Related Technology	392,387.44	521,328.94	-	-	392,387.44	521,328.94
Board	479,747.39	476,160.73	-	-	479,747.39	476,160.73
General Administration	471,495.69	460,326.15	-	-	471,495.69	460,326.15
School Administration	2,545,488.28	2,643,025.13	-	-	2,545,488.28	2,643,025.13
Facilities Acquisition and Construction	40,554.75	-	-	-	40,554.75	-
Fiscal Services	512,466.63	519,135.38	-	-	512,466.63	519,135.38
Food Services	1,469,449.04	1,797,754.95	-	-	1,469,449.04	1,797,754.95
Central Services	320,032.31	305,790.64	-	-	320,032.31	305,790.64
Student Transportation Services	2,308,007.86	2,486,047.25	-	-	2,308,007.86	2,486,047.25
Operation of Plant	2,205,580.59	2,067,570.68	-	-	2,205,580.59	2,067,570.68
Maintenance of Plant	748,363.96	746,006.32	-	-	748,363.96	746,006.32
Administrative Technology Services	688,493.98	388,822.56	-	-	688,493.98	388,822.56
Community Services	1,140,035.14	1,158,597.49	-	-	1,140,035.14	1,158,597.49
Unallocated Interest on Long-Term Debt	4,177.77	9,001.08	-	-	4,177.77	9,001.08
Unallocated Depreciation Expense	2,379,888.34	2,300,253.30	-	-	2,379,888.34	2,300,253.30
Loss on Disposal of Capital Assets	36,191.21	31,869.59	-	-	36,191.21	31,869.59
PAEC - Risk Management Property/Casualty	-	-	6,693,500.24	7,231,874.55	6,693,500.24	7,231,874.55
PAEC - Risk Management Health	-	-	110,017.91	106,876.98	110,017.91	106,876.98
PAEC - Programs Other Than Risk Management	-	-	-	-	-	-
- Federal Economic Stimulus	-	-	2,357,082.27	3,082,224.82	2,357,082.27	3,082,224.82
PAEC Programs Other Than Risk Management	-	-	7,413,390.56	7,020,782.83	7,413,390.56	7,020,782.83
Total Functions/Program Expenses	38,351,892.78	39,158,102.66	16,573,990.98	17,441,759.18	54,925,883.76	56,599,861.84
Excess (Deficiency) Before Transfers	7,223,568.63	(2,479,842.98)	851,459.62	57,901.90	8,075,028.25	(2,421,941.08)
Transfers	(168,059.83)	(199,062.66)	168,059.83	199,062.66	-	-
Change in Net Position	7,055,508.80	(2,678,905.64)	1,019,519.45	256,964.56	8,075,028.25	(2,421,941.08)
Net Position - Beginning	66,408,884.73	69,169,454.35	14,252,809.60	13,995,845.04	80,661,694.33	83,165,299.39
Adjustments to Beginning Net Position	(13,623,791.00) (1)	(81,663.98) (2)	(2,537,290.00) (1)	-	(16,161,081.00)	(81,663.98)
Net Position - Beginning, as Restated	52,785,093.73	69,087,790.37	11,715,519.60	13,995,845.04	64,500,613.33	83,083,635.41
Net Position - Ending	\$ 59,840,602.53	\$ 66,408,884.73	\$ 12,735,039.05	\$ 14,252,809.60	\$ 72,575,641.58	\$ 80,661,694.33

Notes: (1) Adjustment to beginning net position is due to the implementation of GASB Statement No. 68.

(2) Adjustment to beginning net position is due to the reversion of State undisbursed funds appropriated in the 2000-01 and 2001-02 fiscal years for the Teacher Recruitment and Retention programs.

The largest revenue source of governmental activities is the State of Florida (66.7 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 revenues for governmental activities increased by \$1,279,418.03, or 4.8 percent, mainly due to an increase in FEFP revenues from the State.

Capital grants and contributions revenue increased by \$7,044,871.79. These revenues are primarily received from the State and are for the acquisition, construction, and maintenance of educational

facilities. The increase in funding is mainly due to the PECO Special Facilities Construction allocation for the construction of a new elementary school.

PAEC – Risk Management Property/Casualty expenses decreased by \$538,374.31, or 7.4 percent, mainly due to decreases in workers' compensation assessments, purchased services, and insurance claims expense.

PAEC – Programs Other Than Risk Management – Federal Economic Stimulus expense decreased by \$725,142.55, or 23.5 percent, mainly due to the completion of the American Recovery and Reinvestment Act (ARRA) – State Fiscal Stabilization Fund Program and the School Improvement Grants Program.

PAEC – Programs Other Than Risk Management expenses increased by \$392,607.73, or 5.6 percent, primarily due to an increase in employee salaries and benefits attributable to the Home Instruction for Parents of Preschool Youngsters Program.

Instruction expenses represent 49.9 percent of total governmental activities' expenses in the 2014-15 fiscal year. Instruction expenses decreased by \$563,670.58, or 2.9 percent, from the previous fiscal year due mainly to a reduction of expenses due to the recording of deferred outflows of resources related to the pension obligation.

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 increased by \$2,906,888.74 during the fiscal year to \$13,341,819.59 at June 30, 2015. Approximately 10.4 percent of this amount is unassigned fund balance (\$1,381,963.14), which is available for spending at the District's discretion. The remainder of the fund balance is restricted, committed, or assigned to indicate that it is (1) restricted for particular purposes (\$7,046,368.45), (2) committed for particular purposes (\$3,044,705.48), or (3) assigned for particular purposes (\$1,868,782.52).

Major Governmental Funds

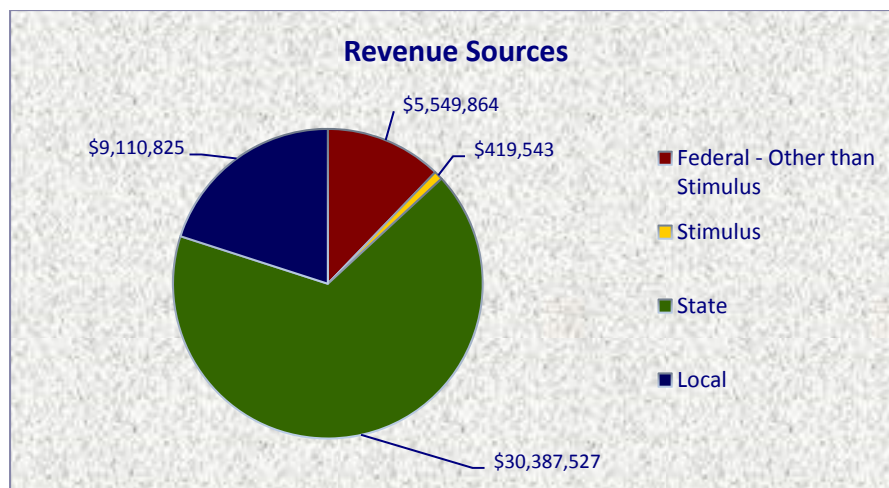
The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$1,381,963.14, while the total fund balance is \$10,408,365.95. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund revenues, which is 10.5 percent, while total fund balance represents 33.7 percent of total General Fund revenues.

The total fund balance of the General Fund increased \$545,299.61 during the fiscal year. A key factor impacting the change in fund balance is the increase in State revenues, primarily due to an increase in FEFP revenues.

The Special Revenue – Other Fund has a zero fund balance at the end of the current fiscal year. The District uses these funds to account for certain Federal grant program resources. Since Federal revenue is recognized to the extent that eligible expenditures have been incurred, this fund generally does not accumulate a fund balance. Revenues and expenditures of the Special Revenue – Other Fund total \$3,894,505.61 each, representing decreases of \$368,827.76 each from the prior fiscal year. The decrease occurred primarily because funding decreased for the Special Education and Title I programs.

The Capital Projects – Public Education Capital Outlay Special Education Fund has a total fund balance of \$2,242,920.58, which is restricted for the construction of the new elementary school. The fund balance increased in the current fiscal year due to the receipt of PECO Special Facilities funding. It should be noted that \$17,516,747.25 has been encumbered for the new elementary school, which is being paid primarily by the PECO Special Facilities funding.

The following chart indicates the sources of revenues for the District's governmental funds for the 2014-15 fiscal year.



Proprietary Funds

The net position of the PAEC – Risk Management Property/Casualty Fund totals \$12,842,938.68 at June 30, 2015, an increase of \$563,902.18 from the previous fiscal year. The increase is primarily due to the decrease in workers' compensation assessments, purchased services, and insurance claims expense.

The net position of the PAEC – Risk Management Health Fund decreased \$44,961.56 from the previous fiscal year. The decrease is mainly due to a prior period adjustment to record the proportionate share of the net pension liability of the defined benefit pension plans.

The net position of the PAEC – Programs Other Than Risk Management Fund totaled (\$86,574.19) at June 30, 2015, a decrease of \$2,025,655.27 from the previous fiscal year. The decrease is mainly due to a prior period adjustment to record the proportionate share of the net pension liability of the defined benefit pension plans.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no significant variances between the original and final budget. The positive final budget variances include amounts budgeted for instruction, compensated absences, school roll-forwards, contract schools, grants, and construction and maintenance projects, which were in excess of the actual expenditures. Actual expenditures were less than the final budget by \$6.6 million primarily because the District budgeted for the expenditure of various carryover funds that did not materialize in the current fiscal year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2015, is \$70,277,702.94 (net of accumulated depreciation). This investment in capital assets included land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software. The total increase in capital assets for the current fiscal year was approximately 8.6 percent.

Major capital asset events included the following:

- The District completed the construction of the new Vernon Elementary School fifth-grade wing.
- At June 30, 2015, construction in progress includes the new Kate M. Smith Elementary School.

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

Long-Term Debt

The State Board of Education, on behalf of the District, issued Refunding Capital Outlay Bonds, Series 2014B, during the 2014-15 fiscal year, and at June 30, 2015, the District reported \$94,000 as bonds payable. As part of the agreement whereby the District is receiving Special Facilities Construction funding, the District made obligations of local millage assessments as well as capital outlay and debt service allocations for the next two fiscal years. At June 30, 2015, the District reported a special PECO advance payable totaling \$2,159,064.66. Additional information on the District's long-term debt can be found in Note III.I. to the financial statements.

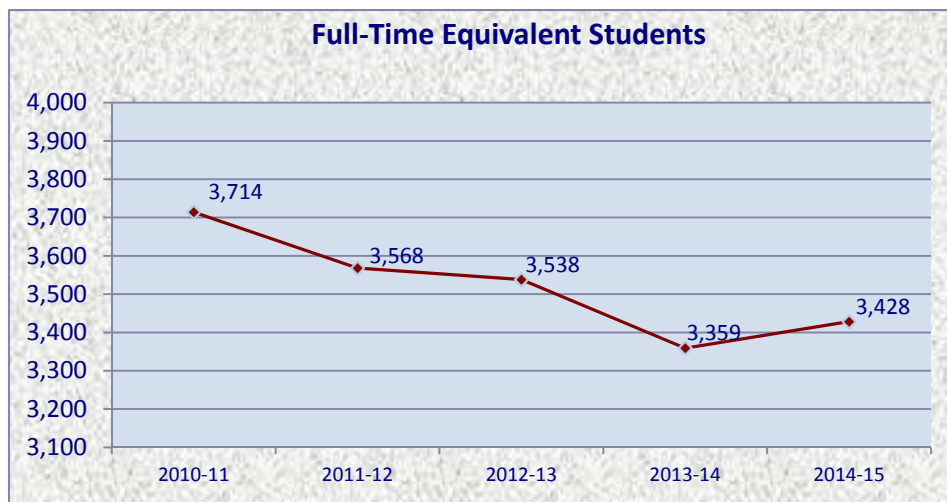
OTHER MATTERS OF SIGNIFICANCE

Pursuant to Section 1013.64, Florida Statutes, the District was awarded a special allocation totaling \$27,679,085 for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund – Special Facility Construction account. The District received the second of three encumbrance authorizations in the amount of \$9,226,362 in the 2015-16 fiscal year. The funding will be used for the construction of the new Kate M. Smith Elementary School.

Student Enrollment and Funding: State revenues comprise 74.7 percent of total General Fund revenues. Revenues from State sources are primarily from the FEFP administered by the Florida Department of

Education (FDOE) 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) student and related data to the FDOE. FEFP funding is determined based on these counts of FTE students.

Full-Time Equivalent Students: The following chart reflects the trend of unweighted FTE counts for the last 5 fiscal years. Although the 2014-15 fiscal year count is down 286 from the 2010-11 fiscal year count, the District experienced an increase of 69 from the 2013-14 fiscal year count.



REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Director of Finance, Washington County District School Board, 652 Third Street, Chipley, Florida, 32428.

BASIC FINANCIAL STATEMENTS

Washington County District School Board Statement of Net Position June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 12,314,919.97	\$ 24,762,709.04	\$ 37,077,629.01
Investments	2,693.20	-	2,693.20
Accounts Receivable	623,365.24	34,176.24	657,541.48
Internal Balances	1,952,967.69	(1,952,967.69)	-
Due from Other Agencies	4,878,774.31	230,427.96	5,109,202.27
Due from Excess Insurer	81,158.00	1,251,417.30	1,332,575.30
Inventories	-	2,358.28	2,358.28
Capital Assets:			
Nondepreciable Capital Assets	9,632,125.99	665,380.10	10,297,506.09
Depreciable Capital Assets, Net	58,729,132.86	1,251,063.99	59,980,196.85
TOTAL ASSETS	88,215,137.26	26,244,565.22	114,459,702.48
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	2,687,557.00	500,529.00	3,188,086.00
LIABILITIES			
Accrued Salaries and Benefits	149,074.83	-	149,074.83
Payroll Deductions and Withholdings	136,626.14	-	136,626.14
Accounts Payable	1,650,126.69	685,241.22	2,335,367.91
Construction Contracts Payable	2,094,305.72	-	2,094,305.72
Construction Contracts Payable - Retainage	251,299.22	-	251,299.22
Due to Other Agencies	3,065.65	3,979,388.83	3,982,454.48
Deposits Payable	420.00	-	420.00
Advanced Revenues	42,812.26	52,922.14	95,734.40
Estimated Insurance Claims Payable	249,872.00	-	249,872.00
Long-Term Liabilities:			
Portion Due Within One Year	1,407,884.32	2,072,175.51	3,480,059.83
Portion Due After One Year	19,240,803.90	6,133,469.47	25,374,273.37
TOTAL LIABILITIES	25,226,290.73	12,923,197.17	38,149,487.90
DEFERRED INFLOWS OF RESOURCES			
Pensions	5,835,801.00	1,086,858.00	6,922,659.00
NET POSITION			
Net Investment in Capital Assets	66,108,194.19	1,916,444.09	68,024,638.28
Restricted for:			
State Required Carryover Programs	3,081,151.31	-	3,081,151.31
Public Education Capital Outlay Maintenance	24,591.46	-	24,591.46
Debt Service	2,693.20	-	2,693.20
Capital Projects	2,728,262.02	-	2,728,262.02
Food Service	202,498.42	-	202,498.42
Workforce Development	933,572.83	-	933,572.83
Other Required Carryover Programs	73,599.21	-	73,599.21
Unrestricted	(13,313,960.11)	10,818,594.96	(2,495,365.15)
TOTAL NET POSITION	\$ 59,840,602.53	\$ 12,735,039.05	\$ 72,575,641.58

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, 2015**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 19,135,017.53	\$ 913,203.60	\$ -	\$ -
Student Personnel Services	1,661,232.89	-	-	-
Instructional Media Services	532,190.35	-	-	-
Instruction and Curriculum Development Services	790,818.52	-	-	-
Instructional Staff Training Services	490,273.11	-	-	-
Instructional-Related Technology	392,387.44	-	-	-
Board	479,747.39	-	-	-
General Administration	471,495.69	-	-	-
School Administration	2,545,488.28	-	-	-
Facilities Acquisition and Construction	40,554.75	30,715.91	-	7,218,825.95
Fiscal Services	512,466.63	-	-	-
Food Services	1,469,449.04	296,381.76	1,373,223.29	-
Central Services	320,032.31	-	-	-
Student Transportation Services	2,308,007.86	112,955.44	-	-
Operation of Plant	2,205,580.59	-	-	-
Maintenance of Plant	748,363.96	-	-	-
Administrative Technology Services	688,493.98	-	-	-
Community Services	1,140,035.14	-	-	-
Unallocated Interest on Long-Term Debt	4,177.77	-	-	37,356.84
Unallocated Depreciation Expense*	2,379,888.34	-	-	-
Loss on Disposal of Capital Assets	36,191.21	-	-	-
Total Governmental Activities	38,351,892.78	1,353,256.71	1,373,223.29	7,256,182.79
Business-Type Activities:				
PAEC - Risk Management Property/Casualty	6,693,500.24	7,334,246.00	50.19	-
PAEC - Risk Management Health	110,017.91	-	117,557.00	-
PAEC - Programs Other Than Risk Management	7,413,390.56	1,641,909.76	134,857.74	-
PAEC - Programs Other Than Risk Management - Federal Economic Stimulus	2,357,082.27	-	-	-
Total Business-Type Activities	16,573,990.98	8,976,155.76	252,464.93	-
Total Governmental and Business-Type Activities	\$ 54,925,883.76	\$ 10,329,412.47	\$ 1,625,688.22	\$ 7,256,182.79

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

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 Activities	Business-Type Activities	Total
\$ (18,221,813.93)	\$ -	\$ (18,221,813.93)
(1,661,232.89)	-	(1,661,232.89)
(532,190.35)	-	(532,190.35)
(790,818.52)	-	(790,818.52)
(490,273.11)	-	(490,273.11)
(392,387.44)	-	(392,387.44)
(479,747.39)	-	(479,747.39)
(471,495.69)	-	(471,495.69)
(2,545,488.28)	-	(2,545,488.28)
7,208,987.11	-	7,208,987.11
(512,466.63)	-	(512,466.63)
200,156.01	-	200,156.01
(320,032.31)	-	(320,032.31)
(2,195,052.42)	-	(2,195,052.42)
(2,205,580.59)	-	(2,205,580.59)
(748,363.96)	-	(748,363.96)
(688,493.98)	-	(688,493.98)
(1,140,035.14)	-	(1,140,035.14)
33,179.07	-	33,179.07
(2,379,888.34)	-	(2,379,888.34)
(36,191.21)	-	(36,191.21)
<u>(28,369,229.99)</u>	<u>-</u>	<u>(28,369,229.99)</u>
-	640,795.95	640,795.95
-	7,539.09	7,539.09
-	(5,636,623.06)	(5,636,623.06)
<u>-</u>	<u>(2,357,082.27)</u>	<u>(2,357,082.27)</u>
<u>-</u>	<u>(7,345,370.29)</u>	<u>(7,345,370.29)</u>
<u>(28,369,229.99)</u>	<u>(7,345,370.29)</u>	<u>(35,714,600.28)</u>
5,151,035.50	-	5,151,035.50
1,307,949.53	-	1,307,949.53
27,727,528.22	7,869,385.06	35,596,913.28
23,656.82	31,899.52	55,556.34
1,382,628.55	295,545.33	1,678,173.88
(168,059.83)	168,059.83	-
<u>35,424,738.79</u>	<u>8,364,889.74</u>	<u>43,789,628.53</u>
<u>7,055,508.80</u>	<u>1,019,519.45</u>	<u>8,075,028.25</u>
66,408,884.73	14,252,809.60	80,661,694.33
(13,623,791.00)	(2,537,290.00)	(16,161,081.00)
<u>52,785,093.73</u>	<u>11,715,519.60</u>	<u>64,500,613.33</u>
<u>\$ 59,840,602.53</u>	<u>\$ 12,735,039.05</u>	<u>\$ 72,575,641.58</u>

**Washington County District School Board
Balance Sheet – Governmental Funds
June 30, 2015**

	General Fund	Special Revenue - Other Fund	Capital Projects - Public Education Capital Outlay Fund
ASSETS			
Cash and Cash Equivalents	\$ 10,778,316.97	\$ 100.00	\$ 1,020,240.53
Investments	-	-	-
Accounts Receivable	528,424.63	-	-
Due from Other Funds	36,339.87	-	-
Due from Other Agencies	91,601.01	1,117,640.98	3,568,284.99
TOTAL ASSETS	\$ 11,434,682.48	\$ 1,117,740.98	\$ 4,588,525.52
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 149,074.83	\$ -	\$ -
Payroll Deductions and Withholdings	136,626.14	-	-
Accounts Payable	156,864.44	45,591.59	-
Construction Contracts Payable	-	-	2,094,305.72
Construction Contracts Payable - Retainage	-	-	251,299.22
Due to Other Funds	555,133.07	1,072,149.39	-
Due to Other Agencies	3,065.65	-	-
Deposits Payable	420.00	-	-
Advanced Revenues	25,132.40	-	-
Total Liabilities	1,026,316.53	1,117,740.98	2,345,604.94
Fund Balances:			
Restricted for:			
State Required Carryover Programs	3,081,151.31	-	-
Public Education Capital Outlay Maintenance	24,591.46	-	-
Debt Service	-	-	-
Capital Projects	-	-	2,242,920.58
Food Service	-	-	-
Workforce Development	933,572.83	-	-
Other Required Carryover Programs	73,599.21	-	-
Total Restricted Fund Balance	4,112,914.81	-	2,242,920.58
Committed for:			
Compensated Absences	3,044,705.48	-	-
Assigned for:			
Cost Center and Project Carryovers	1,668,782.52	-	-
Environmental Cleanup	200,000.00	-	-
Total Assigned Fund Balance	1,868,782.52	-	-
Unassigned Fund Balance	1,381,963.14	-	-
Total Fund Balances	10,408,365.95	-	2,242,920.58
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,434,682.48	\$ 1,117,740.98	\$ 4,588,525.52

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

Other Governmental Funds	Total Governmental Funds
\$ 516,262.47	\$ 12,314,919.97
2,693.20	2,693.20
94,940.61	623,365.24
236,829.27	273,169.14
101,247.33	4,878,774.31
<u>\$ 951,972.88</u>	<u>\$ 18,092,921.86</u>

\$ -	\$ 149,074.83
-	136,626.14
243,759.96	446,215.99
-	2,094,305.72
-	251,299.22
-	1,627,282.46
-	3,065.65
-	420.00
17,679.86	42,812.26
<u>261,439.82</u>	<u>4,751,102.27</u>

-	3,081,151.31
-	24,591.46
2,693.20	2,693.20
485,341.44	2,728,262.02
202,498.42	202,498.42
-	933,572.83
-	73,599.21
<u>690,533.06</u>	<u>7,046,368.45</u>

-	3,044,705.48
---	--------------

-	1,668,782.52
-	200,000.00
-	1,868,782.52
-	1,381,963.14
690,533.06	13,341,819.59
<u>\$ 951,972.88</u>	<u>\$ 18,092,921.86</u>

**Washington County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015**

Total Fund Balances - Governmental Funds **\$ 13,341,819.59**

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. 68,361,258.85

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. 1,934,456.31

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	\$ 94,000.00	
Compensated Absences Payable	3,526,492.56	
Net Pension Liability	9,705,547.00	
Other Postemployment Benefits Payable	5,163,584.00	
Special Public Education Capital Outlay Advance Payable	2,159,064.66	(20,648,688.22)

The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 2,687,557.00	
Deferred Inflows Related to Pensions	(5,835,801.00)	(3,148,244.00)

Net Position - Governmental Activities **\$ 59,840,602.53**

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, 2015

	General Fund	Special Revenue - Other Fund	Capital Projects - Public Education Capital Outlay Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 119,907.84	\$ 1,050,678.70	\$ -
Federal Through State and Local	184,526.99	2,843,826.91	-
State	23,111,023.23	-	7,134,533.34
Local:			
Property Taxes	5,151,035.50	-	-
Charges for Services	1,056,874.95	-	-
Miscellaneous	1,297,021.29	-	325.22
Total Local Revenues	7,504,931.74	-	325.22
Total Revenues	30,920,389.80	3,894,505.61	7,134,858.56
Expenditures			
Current - Education:			
Instruction	18,182,847.76	1,316,197.08	-
Student Personnel Services	1,228,686.65	451,966.47	-
Instructional Media Services	538,545.75	-	-
Instruction and Curriculum Development Services	283,957.23	510,026.20	-
Instructional Staff Training Services	219,053.82	211,158.15	-
Instructional - Related Technology	442,271.92	319.20	-
Board	483,159.14	-	-
General Administration	334,145.18	134,065.57	-
School Administration	2,618,440.59	-	-
Facilities Acquisition and Construction	907.96	-	-
Fiscal Services	522,280.98	-	-
Food Services	4,099.82	-	-
Central Services	322,698.10	-	-
Student Transportation Services	1,949,803.45	-	-
Operation of Plant	2,205,580.59	-	-
Maintenance of Plant	753,097.33	-	-
Administrative Technology Services	689,409.82	-	-
Community Services	100,549.44	1,039,485.70	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	117,732.42	-	6,652,982.98
Other Capital Outlay	594,500.89	231,287.24	-
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	31,591,768.84	3,894,505.61	6,652,982.98
Excess (Deficiency) of Revenues Over Expenditures	(671,379.04)	-	481,875.58
Other Financing Sources (Uses)			
Transfers In	1,350,478.70	-	640,781.20
Special Facilities Education Capital Outlay Advance	-	-	2,159,064.66
Proceeds of Refunding Bonds	-	-	-
Premium on Refunding Bonds	-	-	-
Payments to Refunding Escrow Agent	-	-	-
Sale of Capital Assets	24,197.70	-	-
Loss Recoveries	8,005.08	-	-
Transfers Out	(166,002.83)	-	(1,038,800.86)
Total Other Financing Sources (Uses)	1,216,678.65	-	1,761,045.00
Net Change in Fund Balances	545,299.61	-	2,242,920.58
Fund Balances, Beginning	9,863,066.34	-	-
Fund Balances, Ending	\$ 10,408,365.95	\$ 0.00	\$ 2,242,920.58

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

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,170,586.54
1,770,466.79	4,798,820.69
141,970.50	30,387,527.07
1,307,949.53	6,458,985.03
296,381.76	1,353,256.71
1,236.64	1,298,583.15
1,605,567.93	9,110,824.89
3,518,005.22	45,467,759.19
32,966.43	19,532,011.27
-	1,680,653.12
-	538,545.75
-	793,983.43
62,015.42	492,227.39
-	442,591.12
-	483,159.14
4,908.95	473,119.70
-	2,618,440.59
39,646.79	40,554.75
-	522,280.98
1,474,595.89	1,478,695.71
-	322,698.10
-	1,949,803.45
-	2,205,580.59
-	753,097.33
-	689,409.82
-	1,140,035.14
492,938.12	7,263,653.52
361,818.71	1,187,606.84
30,000.00	30,000.00
4,177.77	4,177.77
2,503,068.08	44,642,325.51
1,014,937.14	825,433.68
-	1,991,259.90
-	2,159,064.66
94,000.00	94,000.00
8,923.39	8,923.39
(104,845.42)	(104,845.42)
-	24,197.70
-	8,005.08
(894,346.56)	(2,099,150.25)
(896,268.59)	2,081,455.06
118,668.55	2,906,888.74
571,864.51	10,434,930.85
\$ 690,533.06	\$ 13,341,819.59

**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, 2015**

Net Change in Fund Balances - Governmental Funds **\$ 2,906,888.74**

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current fiscal year. 5,686,964.03

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets. (36,191.21)

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. 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 by which repayments exceed proceeds in the current fiscal year.

Bond Principal Repayments	\$ 30,000.00	
Refunding Bonds Issued	(94,000.00)	
Refunding Bonds Retired	<u>100,000.00</u>	36,000.00

Special Facilities Construction Advances provide current financial resources to the governmental funds, but increase long-term liabilities in the statement of net position. (2,159,064.66)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year. 195,480.26

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. (611,384.00)

Governmental funds report district pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.

FRS Pension Contribution	\$ 1,325,402.00	
HIS Pension Contribution	255,896.00	
FRS Pension Expense	(356,107.00)	
HIS Pension Expense	<u>(455,191.00)</u>	770,000.00

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities. 266,815.64

Change in Net Position - Governmental Activities **\$ 7,055,508.80**

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

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**Washington County District School Board
Statement of Net Position – Proprietary Funds
June 30, 2015**

	Business-Type Activities - Enterprise Funds		
	PAEC - Risk Management Property/Casualty	PAEC - Risk Management Health	PAEC - Programs Other Than Risk Management
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 16,578,403.38	\$ 6,678,567.41	\$ 1,505,738.25
Accounts Receivable	5,000.00	-	29,176.24
Due from Other Funds	-	-	313,010.06
Due from Other Agencies	-	-	230,427.96
Due from Excess Insurer	1,251,417.30	-	-
Inventories	-	-	2,358.28
Total Current Assets	17,834,820.68	6,678,567.41	2,080,710.79
Noncurrent Assets:			
Nondepreciable Capital Assets	-	-	665,380.10
Depreciable Capital Assets, Net	2,040.28	1,339.46	1,237,042.36
Total Noncurrent Assets	2,040.28	1,339.46	1,902,422.46
TOTAL ASSETS	17,836,860.96	6,679,906.87	3,983,133.25
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	21,022.00	10,361.00	469,146.00
LIABILITIES			
Current Liabilities:			
Accounts Payable	22,332.32	-	132,157.98
Due to Other Funds	33.89	2,917,950.77	4,314.15
Due to Other Agencies	240.00	3,700,997.26	152,581.43
Advanced Revenues	-	-	52,922.14
Compensated Absences Payable	-	-	47,607.51
Estimated Insurance Claims Payable	1,984,977.00	-	-
Net Pension Liability	1,662.00	820.00	37,109.00
Total Current Liabilities	2,009,245.21	6,619,768.03	426,692.21
Noncurrent Liabilities:			
Compensated Absences Payable	79,309.73	32,330.26	735,702.48
Estimated Insurance Claims Payable	2,771,661.00	-	-
Net Pension Liability	74,255.00	36,597.00	1,657,114.00
Other Postemployment Benefits Payable	34,825.34	11,041.91	700,632.75
Total Noncurrent Liabilities	2,960,051.07	79,969.17	3,093,449.23
TOTAL LIABILITIES	4,969,296.28	6,699,737.20	3,520,141.44
DEFERRED INFLOWS OF RESOURCES			
Pensions	45,648.00	22,498.00	1,018,712.00
NET POSITION			
Investment in Capital Assets	2,040.28	1,339.46	1,902,422.46
Unrestricted	12,840,898.40	(33,306.79)	(1,988,996.65)
TOTAL NET POSITION	\$ 12,842,938.68	\$ (31,967.33)	\$ (86,574.19)

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

PAEC - Programs Other Than Risk Management - Federal Economic Stimulus (Nonmajor)	Total	Governmental Activities - Internal Service Fund
\$ -	\$ 24,762,709.04	\$ -
-	34,176.24	-
665,167.79	978,177.85	3,307,081.01
-	230,427.96	-
-	1,251,417.30	81,158.00
-	2,358.28	-
665,167.79	27,259,266.67	3,388,239.01
-	665,380.10	-
10,641.89	1,251,063.99	-
10,641.89	1,916,444.09	-
675,809.68	29,175,710.76	3,388,239.01
-	500,529.00	-
530,750.92	685,241.22	1,203,910.70
8,846.73	2,931,145.54	-
125,570.14	3,979,388.83	-
-	52,922.14	-
-	47,607.51	-
-	1,984,977.00	249,872.00
-	39,591.00	-
665,167.79	9,720,873.24	1,453,782.70
-	847,342.47	-
-	2,771,661.00	-
-	1,767,966.00	-
-	746,500.00	-
-	6,133,469.47	-
665,167.79	15,854,342.71	1,453,782.70
-	1,086,858.00	-
10,641.89	1,916,444.09	-
-	10,818,594.96	1,934,456.31
\$ 10,641.89	\$ 12,735,039.05	\$ 1,934,456.31

Washington County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds		
	PAEC - Risk Management Property/Casualty	PAEC - Risk Management Health	PAEC - Programs Other Than Risk Management
OPERATING REVENUES			
Charges for Services	\$ -	\$ -	\$ 1,635,047.20
Charges for Sales	-	-	6,862.56
Premiums	7,334,246.00	-	-
Other	50.19	117,557.00	134,857.74
Total Operating Revenues	7,334,296.19	117,557.00	1,776,767.50
OPERATING EXPENSES			
Salaries	167,202.63	79,703.18	3,168,612.84
Employee Benefits	37,362.93	19,553.42	712,380.06
Purchased Services	258,675.56	9,790.56	2,751,595.02
Energy Services	-	-	46,625.34
Materials and Supplies	5,013.05	616.50	280,210.19
Capital Outlay	-	-	21,122.53
Insurance Claims	2,519,897.17	-	-
Excess Insurance Premiums	3,414,824.34	-	-
Service Agent Fees	289,632.90	-	-
Other	35.00	-	323,862.55
Depreciation	856.66	354.25	108,953.79
Total Operating Expenses	6,693,500.24	110,017.91	7,413,362.32
Operating Income (Loss)	640,795.95	7,539.09	(5,636,594.82)
NONOPERATING REVENUES (EXPENSES)			
Interest	29,672.23	21.35	2,205.94
Gifts and Grants	-	-	5,523,358.69
Miscellaneous Local Sources	-	-	295,545.33
Loss on Disposal of Assets	-	-	(28.24)
Total Nonoperating Revenues	29,672.23	21.35	5,821,081.72
Income (Loss) Before Transfers	670,468.18	7,560.44	184,486.90
Transfers In	-	-	168,059.83
Transfers Out	-	-	-
Change in Net Position	670,468.18	7,560.44	352,546.73
Net Position - Beginning	12,279,036.50	12,994.23	1,939,081.08
Adjustment to Beginning Net Position	(106,566.00)	(52,522.00)	(2,378,202.00)
Total Net Position - Beginning, as Restated	12,172,470.50	(39,527.77)	(439,120.92)
Total Net Position - Ending	\$ 12,842,938.68	\$ (31,967.33)	\$ (86,574.19)

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

PAEC - Programs Other Than Risk Management - Federal Economic Stimulus (Nonmajor)	Total	Governmental Activities - Internal Service Fund
\$ -	\$ 1,635,047.20	\$ -
-	6,862.56	-
-	7,334,246.00	4,633,083.80
-	252,464.93	69,652.70
-	9,228,620.69	4,702,736.50
283,229.20	3,698,747.85	-
67,713.02	837,009.43	-
1,859,013.86	4,879,075.00	50,367.89
-	46,625.34	-
21,522.26	307,362.00	-
361.91	21,484.44	-
-	2,519,897.17	3,135,430.13
-	3,414,824.34	923,659.37
-	289,632.90	294,171.32
114,186.12	438,083.67	40,950.00
11,055.90	121,220.60	-
2,357,082.27	16,573,962.74	4,444,578.71
(2,357,082.27)	(7,345,342.05)	258,157.79
-	31,899.52	3,827.33
2,346,026.37	7,869,385.06	-
-	295,545.33	65,000.00
-	(28.24)	-
2,346,026.37	8,196,801.67	68,827.33
(11,055.90)	851,459.62	326,985.12
-	168,059.83	-
-	-	(60,169.48)
(11,055.90)	1,019,519.45	266,815.64
21,697.79	14,252,809.60	1,667,640.67
-	(2,537,290.00)	-
21,697.79	11,715,519.60	1,667,640.67
\$ 10,641.89	\$ 12,735,039.05	\$ 1,934,456.31

**Washington County District School Board
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2015**

	Business-Type Activities - Enterprise Funds		
	PAEC - Risk Management Property/Casualty	PAEC - Risk Management Health	PAEC - Programs Other Than Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Board Funds and Participants	\$ 7,334,246.00	\$ -	\$ 1,729,990.04
Cash Payments to Suppliers for Goods and Services	(3,955,801.73)	(10,407.06)	(3,398,065.45)
Cash Payments to Employees for Services	(202,619.91)	(100,897.70)	(4,137,079.25)
Cash Payments for Insurance Claims	(2,829,599.17)	-	-
Cash Received (Paid) from Other Operating Revenues	82,489.93	1,212,249.10	134,857.74
Net Cash Provided (Used) by Operating Activities	428,715.12	1,100,944.34	(5,670,296.92)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Gifts and Grants	-	-	5,818,904.02
Transfer from (to) Other Funds	-	-	168,059.83
Miscellaneous	-	-	-
Net Cash Provided by Noncapital Financing Activities	-	-	5,986,963.85
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(744.21)	-	(15,507.44)
Net Cash Used by Capital and Related Financing Activities	(744.21)	-	(15,507.44)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sales and Maturity of Investments	34,847.80	4,780.06	5,171.50
Interest Income	29,672.23	21.35	2,205.94
Net Cash Provided by Investing Activities	64,520.03	4,801.41	7,377.44
Net Increase in Cash and Cash Equivalents	492,490.94	1,105,745.75	308,536.93
Cash and Cash Equivalents, Beginning	16,085,912.44	5,572,821.66	1,197,201.32
Cash and Cash Equivalents, Ending	\$ 16,578,403.38	\$ 6,678,567.41	\$ 1,505,738.25
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ 640,795.95	\$ 7,539.09	\$ (5,636,594.82)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	856.66	354.25	108,953.79
Changes in Assets and Liabilities:			
Accounts Receivable	23,500.00	-	69,313.39
Due from Excess Insurer	58,939.74	-	-
Due from Other Funds	-	3,822.56	33,393.16
Due from Other Agencies	-	-	(40,105.44)
Accounts Payable	17,620.23	-	(7,879.25)
Due to Other Funds	(5,481.11)	1,228,443.46	(8,229.19)
Due to Other Agencies	240.00	(137,573.92)	41,458.62
Advanced Revenues	-	-	25,479.17
Compensated Absences Payable	4,088.83	(557.93)	(203,462.70)
Estimated Insurance Claims Payable	(309,702.00)	-	-
Net Pension Liability	(41,936.00)	(20,668.00)	(935,868.00)
Deferred Outflows of Resources Related to Pensions	(9,735.00)	(4,798.00)	(217,257.00)
Deferred Inflows of Resources Related to Pensions	45,648.00	22,498.00	1,018,712.00
Other Postemployment Benefits Payable	3,879.82	1,884.83	81,789.35
Total Adjustments	(212,080.83)	1,093,405.25	(33,702.10)
Net Cash Provided (Used) by Operating Activities	\$ 428,715.12	\$ 1,100,944.34	\$ (5,670,296.92)

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

PAEC - Programs Other Than Risk Management - Federal Economic Stimulus (Nonmajor)	Total	Governmental Activities - Internal Service Fund
\$ -	\$ 9,064,236.04	\$ 4,633,083.80
(1,995,084.15)	(9,359,358.39)	(549,684.71)
(350,942.22)	(4,791,539.08)	-
-	(2,829,599.17)	(3,234,828.13)
-	1,429,596.77	(857,228.81)
(2,346,026.37)	(6,486,663.83)	(8,657.85)
2,346,026.37	8,164,930.39	-
-	168,059.83	(60,169.48)
-	-	65,000.00
2,346,026.37	8,332,990.22	4,830.52
-	(16,251.65)	-
-	(16,251.65)	-
-	44,799.36	-
-	31,899.52	3,827.33
-	76,698.88	3,827.33
-	1,906,773.62	-
-	22,855,935.42	-
\$ 0.00	\$ 24,762,709.04	\$ 0.00
\$ (2,357,082.27)	\$ (7,345,342.05)	\$ 258,157.79
11,055.90	121,220.60	-
-	92,813.39	42,530.68
-	58,939.74	302,772.00
(376,223.10)	(339,007.38)	(1,231,234.19)
-	(40,105.44)	-
440,151.78	449,892.76	718,513.87
176.74	1,214,909.90	-
(64,105.42)	(159,980.72)	-
-	25,479.17	-
-	(199,931.80)	-
-	(309,702.00)	(99,398.00)
-	(998,472.00)	-
-	(231,790.00)	-
-	1,086,858.00	-
-	87,554.00	-
11,055.90	858,678.22	(266,815.64)
\$ (2,346,026.37)	\$ (6,486,663.83)	\$ (8,657.85)

**Washington County District School Board
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds
June 30, 2015**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 724,375.00
Investments	39,330.00
Inventories	<u>11,870.00</u>
TOTAL ASSETS	<u><u>\$ 775,575.00</u></u>
LIABILITIES	
Accounts Payable	\$ 12,531.00
Internal Accounts Payable	<u>763,044.00</u>
Total Liabilities	<u><u>\$ 775,575.00</u></u>

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

NOTES TO FINANCIAL STATEMENTS

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 charged 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 student 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 and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education (SBE) 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.

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 grant program resources.
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources generated by the State Public Education Capital Outlay and Debt Service Trust Fund to be used, in part, for the new construction of the Kate M. Smith Elementary School.

The District reports the following major enterprise funds:

- Panhandle Area Educational Consortium (PAEC) – Risk Management Property/Casualty Fund – to account for the financial resources of the property/casualty public entity risk pool for which the District is fiscal agent.
- PAEC – Risk Management Health Fund – to account for the operating activities of the administration of the group health consortium for which the District is fiscal agent.
- PAEC – Programs Other Than Risk Management Fund – 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 fiscal 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 fund) are eliminated so that only the net amount is included as 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, pension benefits, 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 funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, 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 3 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 and amounts placed with the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes. The investment pool operates 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.

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.

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, \$7,288,692.87 of the stated buildings value, and \$153,508.12 of the stated improvements other than buildings, 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 Useful 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 fiscal year information relative to changes in capital assets is described in a subsequent note.

5. Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The District's retirement plans and related amounts are described in a subsequent note.

6. 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. Governmental fund types recognize debt premiums during the current period. The face amount of debt issued and the related debt premiums are reported as other financing sources.

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and statement of net position – proprietary funds report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District only has one item that qualifies for reporting in this category. The deferred outflows of resources related to pensions are discussed in a subsequent note.

In addition to liabilities, the statement of net position and statement of net position – proprietary funds report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one item that qualifies for reporting in this category. The deferred inflows of resources related to pensions are discussed in a subsequent note.

8. 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.

9. 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.

10. 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 payment of compensated absences.

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 assigned fund balances for cost center and project carryovers and environmental cleanup.

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. 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 FDOE 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 FDOE. The FDOE 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 5 months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The FDOE 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 fiscal year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. 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 fiscal year to be expended for the same educational programs. The FDOE 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 FDOE.

Pursuant to Section 1013.64, Florida Statutes, the District received a special allocation in the 2014-15 fiscal year for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund – Special Facility Construction Account. As a condition for receiving these funds, other construction funding must be pledged for the project, including the capital outlay millage levied pursuant to Section 1011.71(2), Florida Statutes, for the following 3 fiscal years. During the 3-year period, reductions to the special allocations are made to the extent of collections from the required pledged sources.

A schedule of revenue from State sources for the current fiscal 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.

The Board adopted the 2014 tax levy on September 8, 2014. 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. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues and expenses of the PAEC – Risk Management Property/Casualty Fund are premium revenues and expenses which include insurance claims, excess insurance premiums, and service agent fees. The principal operating revenues for the PAEC – Risk Management Health Fund are participating district assessments. The operating expenses include salaries and benefits in connection with the administration of the group health consortium. The operating revenues and expenses of the PAEC – Other Than Risk Management Fund result from providing services and producing and delivering goods in connection with the proprietary funds' ongoing operations and participating district fees. The primary operating revenues of the District's internal service fund 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.

II. ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 68.

The District participates in the FRS defined benefit pension plan and the HIS defined benefit pension plan administered by Florida Division of Retirement. As a participating employer, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the District was decreased by \$16,161,081 due to the adoption of this Statement.

III. 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 the District. 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, 2015, the District had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	34 Day Average	\$ 34,737,236.37
Debt Service Accounts	6 Months	<u>2,693.20</u>
Total Investments		<u>\$ 34,739,929.57</u>

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Florida PRIME uses a weighted average days to maturity (WAM). 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.

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 States 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 SBE 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.

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,923,833.40	\$ -	\$ -	\$ 1,923,833.40
Land Improvements	65,781.00	-	-	65,781.00
Construction in Progress	<u>2,799,467.24</u>	<u>7,144,271.10</u>	<u>2,301,226.75</u>	<u>7,642,511.59</u>
Total Capital Assets Not Being Depreciated	<u>4,789,081.64</u>	<u>7,144,271.10</u>	<u>2,301,226.75</u>	<u>9,632,125.99</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	2,374,961.72	119,382.42	-	2,494,344.14
Buildings and Fixed Equipment	73,100,763.82	2,301,226.75	-	75,401,990.57
Furniture, Fixtures, and Equipment	8,829,295.19	1,175,072.57	812,135.32	9,192,232.44
Motor Vehicles	6,458,165.59	-	500.00	6,457,665.59
Audio Visual Materials and Computer Software	<u>439,516.20</u>	<u>19,958.93</u>	<u>124,900.04</u>	<u>334,575.09</u>
Total Capital Assets Being Depreciated	<u>91,202,702.52</u>	<u>3,615,640.67</u>	<u>937,535.36</u>	<u>93,880,807.83</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	981,996.36	120,722.03	-	1,102,718.39
Buildings and Fixed Equipment	20,726,028.97	1,548,091.26	-	22,274,120.23
Furniture, Fixtures, and Equipment	6,878,428.21	670,549.28	784,270.62	6,764,706.87
Motor Vehicles	4,296,643.70	418,035.01	500.00	4,714,178.71
Audio Visual Materials and Computer Software	<u>398,200.89</u>	<u>14,323.41</u>	<u>116,573.53</u>	<u>295,950.77</u>
Total Accumulated Depreciation	<u>33,281,298.13</u>	<u>2,771,720.99</u>	<u>901,344.15</u>	<u>35,151,674.97</u>
Total Capital Assets Being Depreciated, Net	<u>57,921,404.39</u>	<u>843,919.68</u>	<u>36,191.21</u>	<u>58,729,132.86</u>
Governmental Activities Capital Assets, Net	<u>\$ 62,710,486.03</u>	<u>\$ 7,988,190.78</u>	<u>\$ 2,337,417.96</u>	<u>\$ 68,361,258.85</u>

	Beginning Balance	Additions	Deletions	Ending Balance
BUSINESS-TYPE ACTIVITIES				
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	2,448,698.48	16,251.65	256,119.92	2,208,830.21
Audio Visual Materials and Computer Software	92,453.34	-	943.53	91,509.81
Total Capital Assets Being Depreciated	3,987,018.95	16,251.65	257,063.45	3,746,207.15
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	162,861.42	13,629.38	-	176,490.80
Buildings and Fixed Equipment	186,946.32	22,757.04	-	209,703.36
Furniture, Fixtures, and Equipment	2,189,991.23	84,045.04	256,091.68	2,017,944.59
Audio Visual Materials and Computer Software	91,158.80	789.14	943.53	91,004.41
Total Accumulated Depreciation	2,630,957.77	121,220.60	257,035.21	2,495,143.16
Total Capital Assets Being Depreciated, Net	1,356,061.18	(104,968.95)	28.24	1,251,063.99
Business-Type Activities Capital Assets, Net	\$ 2,021,441.28	\$ (104,968.95)	\$ 28.24	\$ 1,916,444.09

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 391,832.65
Unallocated	2,379,888.34
Total Depreciation Expense - Governmental Activities	<u>\$ 2,771,720.99</u>
BUSINESS-TYPE ACTIVITIES	
PAEC - Risk Management Property/Casualty	\$ 856.66
PAEC - Risk Management Health	354.25
PAEC - Programs Other Than Risk Management	108,953.79
PAEC - Programs Other Than Risk Management - Federal Economic Stimulus	11,055.90
Total Depreciation Expense - Business-Type Activities	<u>\$ 121,220.60</u>

D. Retirement Plans

1. Florida Retirement System (FRS) – Defined Benefit Pension Plans

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred

Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree HIS Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered 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. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of 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 Web site (www.dms.myflorida.com).

The District's FRS and HIS pension expense totaled \$962,390 for the fiscal year ended June 30, 2015.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 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. Employees enrolled in the Plan 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 to eligible participants.

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 participating 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. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>Percent Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Elected County Officers	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.37
FRS, Elected County Officers	3.00	43.24
DROP - Applicable to		
Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The District's contributions to the Plan totaled \$1,572,244 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a liability of \$4,001,424 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.065581298 percent, which was an increase of 0.001620354 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the Plan pension expense of \$422,426. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 247,620
Change of assumptions	692,980	-
Net difference between projected and actual earnings on FRS pension plan investments	-	6,675,039
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	234,660	-
District FRS contributions subsequent to the measurement date	1,572,244	-
Total	\$ 2,499,884	\$ 6,922,659

The deferred outflows of resources related to pensions, totaling \$1,572,244, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (1,540,455)
2017	(1,540,455)
2018	(1,540,455)
2019	(1,540,454)
2020	128,305
Thereafter	38,495
Total	\$ (5,995,019)

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			

Assumed inflation - Mean 2.60% 2.00%

Note: (1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	\$ 17,114,620	\$ 4,001,424	\$ (6,906,254)

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$303,554 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2015, the District reported a net pension liability of \$7,511,680 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.080336727 percent, which was an increase of 0.001517245 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the HIS Plan pension expense of \$539,964. In addition, the District reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>
Change of assumptions	\$ 267,295
Net difference between projected and actual earnings on HIS pension plan investments	3,604
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	113,749
District contributions subsequent to the measurement date	303,554
Total	\$ 688,202

The deferred outflows of resources related to pensions, totaling \$303,554, resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 62,361
2017	62,361
2018	62,361
2019	62,359
2020	61,456
Thereafter	73,750
Total	\$ 384,648

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	4.29 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

While an experience study had not been completed for the plan, the FRS Actuarial Assumptions Conference reviewed the actuarial assumptions for the plan.

Discount Rate. The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal

to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.29 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
District's proportionate share of the net pension liability	\$8,543,928	\$ 7,511,680	\$6,650,049

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

2. FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

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 the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Elected County Officers	11.34

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$171,684 for the fiscal year ended June 30, 2015.

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 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 2014-15 fiscal year, 179 retirees received other postemployment benefits. The District

provided required contributions of \$535,786 toward the annual OPEB cost, net of retiree contributions totaling \$948,206, which represents 5.3 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 1 year)	\$ 483,760
Amortization of Unfunded Actuarial Accrued Liability	<u>783,099</u>
Annual Required Contribution	1,266,859
Interest on Net OPEB Obligation	184,996
Adjustment to Annual Required Contribution	<u>(217,131)</u>
Annual OPEB Cost (Expense)	1,234,724
Contribution Toward the OPEB Cost	<u>(535,786)</u>
Increase in Net OPEB Obligation	698,938
Net OPEB Obligation, Beginning of Year	<u>5,211,146</u>
Net OPEB Obligation, End of Year	<u>\$ 5,910,084</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2015, and the 2 preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012-13	\$ 1,390,390	48.57%	\$ 4,447,070
2013-14	1,452,016	47.38%	5,211,146
2014-15	1,234,724	43.39%	5,910,084

Funded Status and Funding Progress. As of October 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was \$18,469,418, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$18,469,418 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$17,886,173, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 103.26 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, 2014, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2015, and to estimate the District's 2014-15 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. The actuarial assumptions also included a payroll growth rate of 3.55 percent per year, projected salary increases of 4 to 7.8 percent, and an annual healthcare cost trend rate of 7.5 percent beginning October 1, 2015, reduced to an ultimate rate of 4.58 percent, which includes an additional 0.34 percent trend representing the estimate of the ultimate effect of the Federal Excise Tax, beginning October 2040. The investment rate of return and projected salary increase rates include a general price inflation of 2.5 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 30-year period. The remaining amortization period at June 30, 2015, was 23 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 fiscal year's appropriations are likewise encumbered.

The following is a schedule of encumbrances at June 30, 2015:

Major Governmental Funds				
General	Special Revenue - Other	Capital Projects - Public Education Capital Outlay	Nonmajor Governmental Funds	Total Governmental Funds
<u>\$ 36,886.08</u>	<u>\$ 7,300.51</u>	<u>\$ 17,516,747.25</u>	<u>\$ 208,100.00</u>	<u>\$ 17,769,033.84</u>

Major Enterprise Funds			
PAEC - Risk Management Property/ Casualty	PAEC - Programs Other Than Risk Management	Nonmajor Enterprise Fund	Total Enterprise Funds
<u>\$ 20,729.51</u>	<u>\$ 108,336.95</u>	<u>\$ 557,955.63</u>	<u>\$ 687,022.09</u>

At June 30, 2015, the encumbrances for the Capital Projects – Public Education Capital Outlay Fund exceeded total fund balance by \$15,273,826.67. In addition, the encumbrances for the PAEC – Programs Other Than Risk Management and nonmajor enterprise fund exceeded total net position \$194,911.14 and \$547,313.74, respectively. These encumbrances are expected to be honored using the resources received in the subsequent fiscal year. If restricted capital outlay funds are insufficient, unrestricted General Fund resources will be used to honor these encumbrances.

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

Project	Contract Amount	Completed to Date	Balance Committed
Kate M. Smith Elementary School:			
Architect	\$ 1,426,686.91	\$ 1,155,616.40	\$ 271,070.51
Contractor	18,671,325.25	5,025,984.32	13,645,340.93
Direct Purchase Orders	<u>4,716,984.75</u>	<u>1,116,648.94</u>	<u>3,600,335.81</u>
Total	<u>\$ 24,814,996.91</u>	<u>\$ 7,298,249.66</u>	<u>\$ 17,516,747.25</u>

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 – Risk Management Consortium (PAEC – RMC) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, employee dishonesty, equipment breakdown, and other coverage deemed necessary by the members of the PAEC – RMC. Section 1001.42(12)(k), Florida Statutes, provides the authority for

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

A liability in the amount of \$249,872 was actuarially determined to cover estimated incurred, but not reported, District health insurance claims payable at June 30, 2015. 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 projects method. Under the development method, the historical claims data was recorded by incurred month and paid month. The resulting loss development pattern (as claims mature) was used to estimate the future development of existing claims as of the valuation (accounting) date on June 30, 2015. 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 2015. The claim projection method was used to estimate the level of incurred but unpaid claims for the incurral months of May 2015 and June 2015. However, to be conservative, a 10 percent increase to the incurred but not paid (IBNP) reserve amount has been added 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.

The following schedule represents the changes in claims liability for the past 2 fiscal years for the District's group health self-insurance program:

<u>Fiscal Year</u>	<u>Beginning-of-Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2013-14	\$ 260,095	\$ 3,180,178	\$ (3,091,003)	\$ 349,270
2014-15	349,270	3,135,430	(3,234,828)	249,872

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

H. Public Entity Risk Pool

The following is a summary of financial information as reported in the enterprise funds for the 2014-15 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 11 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 Accounting Policies

- Estimated Insurance Claims Payable. The liabilities are actuarially determined, based on the estimated ultimate cost of settling all claims, both those reported and unreported, including the effects of inflation and other societal and economic factors.
- Excess Insurance. The PAEC – RMC has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund. For the fiscal year ended June 30, 2015, the risk pool established a loss fund of \$3,960,000, assessed premiums to fund \$3,700,000 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 \$1,000,000 coverage if the aggregate net losses exceed the loss fund. The pool does not cede reinsurance. The pool paid excess insurance premiums for the fiscal year ended June 30, 2015, in the amount of \$3,414,824. The amount of \$124,708 of excess insurance recoverable on unpaid claims was deducted from the liability for unpaid claims at June 30, 2015.
- Settled Claims. Settled claims resulting from the risks described above have not exceeded commercial insurance for the past 3 fiscal years.
- Investment Income. Investment income is not included herein.
- Liabilities. Liabilities for unpaid claims adjustment expenses were not discounted in the 2013-14 and 2014-15 fiscal years.

3. Estimated Insurance Claims Payable

The following schedule represents the changes in claims liability for the past 2 fiscal years for the PAEC – RMC's Property/Casualty Program:

	Reconciliation of Claims Liability	
	2013-14	2014-15
Estimated Unpaid Claims Liability at Beginning of Year	<u>\$ 4,745,362</u>	<u>\$ 5,066,340</u>
Incurring Claims and Claims Adjustment Expenses:		
Provisions for Insured Events of the Current Year	3,080,000	3,125,000
Decrease in Provision for Events in Prior Years	<u>(340,869)</u>	<u>(605,103)</u>
Total Insurance Claims Expenses	<u>2,739,131</u>	<u>2,519,897</u>
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of the Current Year	868,715	822,287
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Year	<u>1,549,438</u>	<u>2,007,312</u>
Total Insurance Claims Payable	<u>2,418,153</u>	<u>2,829,599</u>
Estimated Unpaid Claims Liability at End of Year	<u>\$ 5,066,340</u>	<u>\$ 4,756,638</u>

I. Long-Term Liabilities

1. Special Public Education Capital Outlay Advance Payable

The liability at June 30, 2015, of \$2,159,064.66 represents the amount of the Public Education Capital Outlay Special Facilities allocation expected to be replaced by other District capital outlay sources that are committed under Section 1013.64, Florida Statutes, for funding specific construction needs. The liability is expected to be retired by the close of the 2016-17 fiscal year.

2. Bonds Payable

Bonds payable at June 30, 2015, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2014B, Refunding	<u>\$ 94,000</u>	2.0 - 5.0	2020

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2015, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2016	\$ 31,949.14	\$ 27,000.00	\$ 4,949.14
2017	32,230.00	29,000.00	3,230.00
2018	31,780.00	30,000.00	1,780.00
2019	4,280.00	4,000.00	280.00
2020	4,080.00	4,000.00	80.00
Total State School Bonds	\$ 104,319.14	\$ 94,000.00	\$ 10,319.14

3. Defeased Debt

The FDOE issued Capital Outlay Refunding Bonds, Series 2014B, dated December 2, 2014, to refund callable portions of the District's State School Bonds, Series 2005B that mature on or after January 1, 2015, including District bonds totaling \$100,000. The District's pro rata share of net proceeds totaling \$94,000 (after deduction of \$161.30 in issuance costs and underwriting fees plus an additional \$2,083.33 of Series 2014B sinking fund moneys) were used to call and redeem Series 2005B bonds on January 1, 2015.

The Series 2014B bonds were refunded to reduce total debt service payments over the next 5 years by approximately \$5,931 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$4,701.

4. Changes in Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Bonds Payable	\$ 130,000.00	\$ 94,000.00	\$ 130,000.00	\$ 94,000.00	\$ 27,000.00
Compensated Absences Payable	3,721,972.82	99,989.21	295,469.47	3,526,492.56	429,237.71
Net Pension Liability (1)	15,066,768.00	1,917,556.00	7,278,777.00	9,705,547.00	212,578.00
Other Postemployment Benefits Payable	4,552,200.00	1,111,638.00	500,254.00	5,163,584.00	-
Special Public Education Capital Outlay Advance Payable	-	2,159,064.66	-	2,159,064.66	739,068.61
Total Governmental Activities	\$ 23,470,940.82	\$ 5,382,247.87	\$ 8,204,500.47	\$ 20,648,688.22	\$ 1,407,884.32
BUSINESS-TYPE ACTIVITIES					
Estimated Insurance Claims Payable	\$ 5,066,340.00	\$ 2,519,897.00	\$ 2,829,599.00	\$ 4,756,638.00	\$ 1,984,977.00
Compensated Absences Payable	1,094,881.78	91,787.22	291,719.02	894,949.98	47,607.51
Net Pension Liability (1)	2,806,029.00	357,125.00	1,355,597.00	1,807,557.00	39,591.00
Other Postemployment Benefits Payable	658,946.00	123,086.00	35,532.00	746,500.00	-
Total Business-Type Activities	\$ 9,626,196.78	\$ 3,091,895.22	\$ 4,512,447.02	\$ 8,205,644.98	\$ 2,072,175.51

Note: (1) The beginning balance resulted from the implementation of GASB Statement No. 68.

For the governmental activities, compensated absences, pensions, 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.G.6. Due to the nature of the liability, there is no amount due in 1 year for other postemployment benefits.

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 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	\$ 36,339.87	\$ 555,133.07
Special Revenue:		
Other	-	1,072,149.39
Enterprise:		
PAEC - Risk Management Property/Casualty	-	33.89
PAEC - Risk Management Health	-	2,917,950.77
PAEC - Programs Other Than Risk Management	313,010.06	4,314.15
Nonmajor Governmental	236,829.27	-
Nonmajor Enterprise	665,167.79	8,846.73
Internal Service	3,307,081.01	-
Total	\$ 4,558,428.00	\$ 4,558,428.00

Interfund receivables and payables are recorded to reflect fees, reimbursements, and advances owed by one fund to another as of June 30, 2015. These amounts are expected to be repaid within 1 year.

L. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2014-15 fiscal year:

<u>Source</u>	<u>Amount</u>
Governmental Funds:	
Florida Education Finance Program	\$ 15,912,328.00
Gross Receipts Tax (Public Education Capital Outlay)	7,134,533.34
Categorical Educational Program - Class Size Reduction	3,370,162.00
Workforce Development Program	3,099,179.00
Adults with Disabilities	134,742.50
School Recognition	128,001.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	121,649.45
Performance-Based Incentives - Workforce	75,956.00
Voluntary Prekindergarten Program	60,486.08
Miscellaneous	350,489.70
Subtotal - Governmental	30,387,527.07
Enterprise Funds:	
Regional Educational Consortium Services	574,987.50
Grants and Aid - Instructional Materials	277,606.93
Miscellaneous	106,901.41
Subtotal - Enterprise	959,495.84
Total	\$ 31,347,022.91

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 2014 tax roll for the 2014-15 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.156	\$ 4,627,230.11
Basic Discretionary Local Effort	0.748	671,332.59
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,346,177.90
Total	7.404	\$ 6,644,740.60

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	\$ 1,350,478.70	\$ 166,002.83
Capital Projects:		
Public Education Capital Outlay	640,781.20	1,038,800.86
Enterprise:		
PAEC - Programs Other Than Risk Management	168,059.83	-
Nonmajor Governmental	-	894,346.56
Internal Service	-	60,169.48
Total	\$ 2,159,319.73	\$ 2,159,319.73

Transfers to the General Fund were for reimbursement of certain expenditures relating to the construction of the new elementary school, maintenance, renovation, operating leases, insurance premiums, and wellness incentive reimbursements. The transfer to the Capital Projects – Public Education Capital Outlay Fund was for revenue pledged in connection with the PECO Special Facilities allocation for the construction of the new elementary school. Transfers to the Enterprise – PAEC – Programs Other Than Risk Management Fund were for costs associated with the fiscal agent agreement and for renovation expenditures.

IV. 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(14), 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 on the financial statements.

V. SUBSEQUENT EVENT

The Board authorized participation in a short term loan with a maximum outstanding principal amount of \$4,000,000. The advances will be used to pay for construction-related expenditures for the completion of the new Kate M. Smith Elementary School. The loan agreement was enacted on February 8, 2016, and all outstanding principal and any accrued and unpaid interest are due and payable in November 2016. The stated interest rate is 1.485 percent.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2015

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 142,473.00	\$ 119,907.84	\$ 119,907.84	\$ -
Federal Through State and Local	74,459.34	184,526.99	184,526.99	-
State	22,505,775.04	23,111,023.23	23,111,023.23	-
Local:				
Property Taxes	5,044,163.00	5,151,035.50	5,151,035.50	-
Charges for Services	-	-	1,056,874.95	1,056,874.95
Miscellaneous	1,507,040.03	2,353,896.24	1,297,021.29	(1,056,874.95)
Total Local Revenues	6,551,203.03	7,504,931.74	7,504,931.74	-
Total Revenues	29,273,910.41	30,920,389.80	30,920,389.80	-
Expenditures				
Current - Education:				
Instruction	24,215,141.44	23,577,973.75	18,182,847.76	5,395,125.99
Student Personnel Services	1,045,722.66	1,287,723.97	1,228,686.65	59,037.32
Instructional Media Services	641,740.83	591,553.22	538,545.75	53,007.47
Instruction and Curriculum Development Services	317,013.33	318,367.45	283,957.23	34,410.22
Instructional Staff Training Services	226,306.68	243,040.31	219,053.82	23,986.49
Instructional - Related Technology	509,010.92	511,842.99	442,271.92	69,571.07
Board	482,083.00	489,671.60	483,159.14	6,512.46
General Administration	334,313.63	342,830.26	334,145.18	8,685.08
School Administration	2,253,997.97	2,686,384.77	2,618,440.59	67,944.18
Facilities Acquisition and Construction	130,595.00	10,907.96	907.96	10,000.00
Fiscal Services	508,185.00	554,181.12	522,280.98	31,900.14
Food Services	-	4,099.82	4,099.82	-
Central Services	329,970.00	367,312.49	322,698.10	44,614.39
Student Transportation Services	2,114,888.42	2,096,873.51	1,949,803.45	147,070.06
Operation of Plant	2,061,222.63	2,345,797.90	2,205,580.59	140,217.31
Maintenance of Plant	917,344.80	1,026,580.50	753,097.33	273,483.17
Administrative Technology Services	458,815.34	820,719.64	689,409.82	131,309.82
Community Services	102,973.17	207,818.78	100,549.44	107,269.34
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	117,732.42	117,732.42	-
Other Capital Outlay	-	594,500.89	594,500.89	-
Total Expenditures	36,649,324.82	38,195,913.35	31,591,768.84	6,604,144.51
Deficiency of Revenues Over Expenditures	(7,375,414.41)	(7,275,523.55)	(671,379.04)	6,604,144.51
Other Financing Sources (Uses)				
Transfers In	1,289,256.98	1,350,478.70	1,350,478.70	-
Sale of Capital Assets	24,197.70	24,197.70	24,197.70	-
Loss Recoveries	1,226.93	8,005.08	8,005.08	-
Transfers Out	(50,000.00)	(166,002.83)	(166,002.83)	-
Total Other Financing Sources	1,264,681.61	1,216,678.65	1,216,678.65	-
Net Change in Fund Balances	(6,110,732.80)	(6,058,844.90)	545,299.61	6,604,144.51
Fund Balances, Beginning	9,863,066.34	9,863,066.34	9,863,066.34	-
Fund Balances, Ending	\$ 3,752,333.54	\$ 3,804,221.44	\$ 10,408,365.95	\$ 6,604,144.51

Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 73,901.85	\$ 1,050,678.70	\$ 1,050,678.70	\$ -
1,604,028.69	2,843,826.91	2,843,826.91	-
2,222.07	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,680,152.61	3,894,505.61	3,894,505.61	-
1,047,483.86	1,702,937.75	1,316,197.08	386,740.67
389,058.95	503,562.11	451,966.47	51,595.64
-	-	-	-
8,000.00	512,426.26	510,026.20	2,400.06
78,165.49	355,052.15	211,158.15	143,894.00
1,217.20	1,217.20	319.20	898.00
-	-	-	-
81,945.69	164,566.03	134,065.57	30,500.46
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
74,281.42	1,039,632.00	1,039,485.70	146.30
-	-	-	-
-	231,287.24	231,287.24	-
1,680,152.61	4,510,680.74	3,894,505.61	616,175.13
-	(616,175.13)	-	616,175.13
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	(616,175.13)	-	616,175.13
-	-	-	-
\$ 0.00	\$ (616,175.13)	\$ 0.00	\$ 616,175.13

**Schedule of Funding Progress –
Other Postemployment Benefits Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
October 1, 2010	\$ -	\$ 26,269,544	\$ 26,269,544	0%	\$ 18,282,593	143.69%
October 1, 2012	-	21,081,563	21,081,563	0%	17,815,524	118.33%
October 1, 2014	-	18,469,418	18,469,418	0%	17,886,173	103.26%

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

**Schedule of the District's Proportionate Share
of the Net Pension Liability –
Florida Retirement System Pension Plan (1)**

	2014	2013
District's proportion of the FRS net pension liability	0.065581298%	0.063960944%
District's proportionate share of the FRS net pension liability	\$ 4,001,424	\$ 11,010,525
District's covered-employee payroll	\$ 22,245,035	\$ 21,394,012
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	17.99%	51.47%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of District Contributions –
Florida Retirement System Pension Plan (1)**

	2015	2014
Contractually required FRS contribution	\$ 1,572,244	\$ 1,436,508
FRS contributions in relation to the contractually required contribution	(1,572,244)	(1,436,508)
FRS contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 22,720,129	\$ 22,245,035
FRS contributions as a percentage of covered-employee payroll	6.92%	6.46%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of the District's Proportionate Share
of the Net Pension Liability –
Health Insurance Subsidy Pension Plan (1)**

	<u>2014</u>	<u>2013</u>
District's proportion of the HIS net pension liability	0.080336727%	0.078819482%
District's proportionate share of the HIS net pension liability	\$ 7,511,680	\$ 6,862,272
District's covered-employee payroll	\$ 23,871,632	\$ 22,889,069
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.47%	29.98%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of District Contributions –
Health Insurance Subsidy Pension Plan (1)**

	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 303,554	\$ 275,207
HIS contributions in relation to the contractually required contribution	(303,554)	(275,207)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 24,104,424	\$ 23,871,632
HIS contributions as a percentage of covered-employee payroll	1.26%	1.15%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

**Ten-Year Claims Development Information – Panhandle Area Educational Consortium -
Risk Management Consortium Property/Casualty Program**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net Earned Required Contribution and Investment Revenues:										
Earned	\$ 8,924,648	\$ 10,569,582	\$ 10,477,909	\$ 9,867,184	\$ 8,499,535	\$ 7,618,906	\$ 7,572,018	\$ 8,114,560	\$ 7,402,690	\$ 7,363,968
Excess Insured	3,425,355	4,974,901	5,129,437	4,848,596	4,682,139	4,280,708	4,175,550	4,517,971	3,628,701	3,414,824
Total Net Earned Required Contribution and Investment Revenues	5,499,293	5,594,681	5,348,472	5,018,588	3,817,396	3,338,198	3,396,468	3,596,589	3,773,989	3,949,144
Unallocated Expenses	939,537	1,037,647	1,090,175	1,551,016	1,192,285	1,094,811	933,147	1,069,180	864,042	764,802
Estimated Incurred Claims and Expense, End of Policy Year:										
Incurred	3,344,584	2,676,832	3,630,953	3,345,898	2,517,852	3,560,000	2,565,000	3,980,500	3,080,000	3,138,000
Excess Insured	167,359	112,240	200,000	26,000	-	-	-	1,060,500	-	13,000
Total Estimated Incurred Claims and Expense, End of Policy Year	3,177,225	2,564,592	3,430,953	3,319,898	2,517,852	3,560,000	2,565,000	2,920,000	3,080,000	3,125,000
Net Paid (Cumulative) as of:										
End of Policy Year	957,894	688,723	948,829	949,419	641,794	1,296,931	760,830	838,114	868,715	822,287
One Year Later	1,840,666	1,678,444	2,171,636	1,865,986	1,405,091	2,553,970	1,492,163	1,385,334	2,128,843	-
Two Years Later	2,623,062	2,180,460	2,498,780	2,351,378	1,821,551	3,163,562	1,971,921	1,620,601	-	-
Three Years Later	2,810,264	2,319,831	2,533,577	2,436,759	2,025,296	3,489,042	2,144,798	-	-	-
Four Years Later	2,927,564	2,422,083	2,543,417	2,441,781	2,124,975	3,643,478	-	-	-	-
Five Years Later	2,977,784	2,439,511	2,553,564	2,442,992	2,251,825	-	-	-	-	-
Six Years Later	2,947,810	2,441,678	2,560,077	2,452,561	-	-	-	-	-	-
Seven Years Later	2,966,341	2,444,065	2,616,921	-	-	-	-	-	-	-
Eight Years Later	2,984,320	2,444,652	-	-	-	-	-	-	-	-
Nine Years Later	2,987,441	-	-	-	-	-	-	-	-	-
Reestimated Excess Insured Claims and Expense	391,586	537,322	344,476	233,979	120,681	1,474,622	323,861	1,230,345	188,434	13,000
Reestimated Net Incurred Claims and Expense:										
End of Policy Year	3,177,225	2,564,592	3,430,953	3,319,898	2,517,852	3,560,000	2,565,000	2,920,000	3,080,000	3,125,000
One Year Later	3,265,226	3,063,890	3,510,583	3,056,882	2,470,000	3,895,000	2,375,000	2,310,000	3,179,644	-
Two Years Later	3,546,669	2,769,356	3,066,976	2,915,145	2,416,504	3,832,902	2,480,112	1,952,049	-	-
Three Years Later	3,213,761	2,737,164	2,835,710	2,800,145	2,356,702	3,968,395	2,422,279	-	-	-
Four Years Later	3,238,651	2,621,352	2,695,711	2,570,145	2,301,723	4,000,000	-	-	-	-
Five Years Later	3,124,564	2,580,594	2,675,711	2,616,706	2,337,381	-	-	-	-	-
Six Years Later	3,080,832	2,570,594	2,709,358	2,523,518	-	-	-	-	-	-
Seven Years Later	3,048,834	2,550,593	2,680,871	-	-	-	-	-	-	-
Eight Years Later	3,078,833	2,444,652	-	-	-	-	-	-	-	-
Nine Years Later	3,078,833	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Estimated Incurred Claims and Expense from End of Policy Year	(98,392)	(119,940)	(750,082)	(796,380)	(180,471)	440,000	(142,721)	(967,951)	99,644	-

1. Budgetary Basis of Accounting

The Board follows procedures established by State statutes and State Board of Education (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, student transportation 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.

2. Schedule of Funding Progress – Other Postemployment Benefit Plan

The October 1, 2014, unfunded actuarial accrued liability of \$18,469,418 was significantly lower than the October 1, 2012, liability of \$21,081,563 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 decreased from 209 in the October 1, 2012, valuation to 179 in the October 1, 2014, valuation. At the same time, the number of active employees eligible for future postemployment benefits increased from 421 to 424 in the October 1, 2014, valuation. These combined population changes decreased the cost and liability in the October 1, 2014, valuation.
- The total cost of coverage decreased from \$618 per employee per month (as expected for the OPEB Plan year beginning October 1, 2012) to \$612 per employee for the year beginning October 1, 2014, which is lower than the projected \$725 per employee per month. This change substantially decreased the cost and liability in the October 1, 2014, valuation.
- Revisions were made in the assumed trend of Medical/Rx cost increases. In the October 1, 2014, valuation, the assumption was the trends for costs and premiums to be 7.5 percent for the year beginning October 1, 2015, with subsequent trend rates decreasing 0.5 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 to be 7.5 percent for the year beginning October 1, 2015, decreasing over a 26-year period to the ultimate level of 4.24 percent (excludes 0.34 percent representing the estimate of the ultimate effect of the Federal Excise Tax). This change increased the cost and liability in the October 1, 2014, valuation.
- Revisions were made in the assumed increase in the cost of coverage due to the Excise Tax on High-Cost Employer Health Plans. In the previous valuation, it was estimated that absent any plan changes, there was a 0.435 percent increase in the cost of coverage for the plan year 2030, and all subsequent years. The estimates in the cost of coverage were revised to reflect a 0.34 percent increase in the cost of coverage for the plan year 2031, and all subsequent years. This change decreased the cost and liability in the October 1, 2014, valuation.

- Revisions were made to the assumed rate of acceptance and continuation. In the previous valuation, it was assumed that 60 percent of retiring employees under age 65 would elect to continue medical coverage through the District's plan. It is now estimated that 55 percent of employees will elect to keep the coverage upon retirement. This change decreased the cost and liability.
- Revisions were made to certain demographic assumptions to reflect changes made to the Florida Retirement System for the July 1, 2014, actuarial valuation, increasing the cost and liability in the October 1, 2014, valuation.

3. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions. As of June 30, 2014, the inflation rate assumption was decreased from 3 percent to 2.6 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

4. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Washington County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass -Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	14002	\$ 271,038.20	\$ -
National School Lunch Program	10.555 (2)	14001, 14003	1,079,885.09	-
Total United States Department of Agriculture			<u>1,350,923.29</u>	<u>-</u>
United States Department of Labor:				
Indirect:				
The Agricultural and Labor Program, Inc.:				
National Farmworker Jobs Program	17.264	405	67,550.30	-
Chipola College:				
H-1B Job Training Grants	17.268	HG 22727-12-60A-12	74,738.55	-
Total United States Department of Labor			<u>142,288.85</u>	<u>-</u>
United States Department of Education:				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	11,193.00	-
Federal Work-Study Program	84.033	N/A	13,009.13	-
Federal Pell Grant Program	84.063	N/A	1,026,476.57	-
Total Student Financial Assistance Cluster			<u>1,050,678.70</u>	<u>-</u>
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027 (3)	262, 263	2,631,200.11	38,919.18
Special Education - Preschool Grants	84.173	266, 267	191,999.70	-
Putnam County District School Board:				
Special Education - Grants to States	84.027 (3)	None	16,689.17	-
University of South Florida:				
Special Education - Grants to States	84.027 (3)	None	10,917.68	2,250.55
Total Special Education Cluster			<u>2,850,806.66</u>	<u>41,169.73</u>
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	193,878.13	-
Title I Grants to Local Educational Agencies	84.010	118, 212, 226	1,383,497.72	-
Migrant Education - State Grant Program	84.011	217	1,116,971.60	116,000.00
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	216	255,752.82	-
Career and Technical Education - Basic Grants to States	84.048	161	187,128.78	-
Education for Homeless Children and Youth	84.196	127	186,044.28	1,096.64
Rural Education	84.358	110	54,408.42	-
Improving Teacher Quality State Grants	84.367 (4)	224	201,243.06	-
ARRA - School Improvement Grants, Recovery Act	84.388	126	66,667.21	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (5)	RA111, RA211, RA311, RG311, RS411	2,698,902.66	882,037.02
Florida State University:				
Mathematics and Science Partnerships	84.366	R01702	6,012.63	5,658.58
Gulf Coast State College:				
Improving Teacher Quality State Grants	84.367 (4)	None	18,195.81	-
Partnership for Assessment of Readiness for College and Careers:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (5)	None	201,154.23	-
Total Indirect			<u>9,420,664.01</u>	<u>1,045,961.97</u>
Total United States Department of Education			<u>10,471,342.71</u>	<u>1,045,961.97</u>

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass -Through Grantor Number</u>	<u>Amount of Expenditures (1)</u>	<u>Amount Provided to Subrecipients</u>
United States Department of Health and Human Services:				
Indirect:				
Florida Department of Health:				
Injury Prevention and Control Research and State and Community Based Programs	93.136	COH6U	\$ 71,324.46	\$ 37,105.88
University of South Florida:				
Temporary Assistance for Needy Families	93.558	5830-1446-01-M	562,204.62	-
Redlands Christian Migrant Association:				
Head Start	93.600	None	22,020.93	-
University of South Florida:				
Cooperative Agreement to Support Navigators in Federally-Facilitated and State Partnership Exchanges	93.750	6414-1079-00-F	7,050.90	-
Chemical Addictions Recovery Effort, Inc.:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	None	39,133.58	-
Total United States Department of Health and Human Services			<u>701,734.49</u>	<u>37,105.88</u>
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	119,907.84	-
Total Expenditures of Federal Awards			<u>\$ 12,786,197.18</u>	<u>\$ 1,083,067.85</u>

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
- (2) Noncash Assistance – National School Lunch Program. Includes \$115,304.93 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (3) Special Education – Grants to States. Total CFDA No. 84.027 expenditures: \$2,658,806.96.
- (4) Improving Teacher Quality State Grants. Total CFDA No. 84.367 expenditures: \$219,438.87.
- (5) ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants. Total CFDA No. 84.395 expenditures: \$2,900,056.89.



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 11, 2016, 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 District'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 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 from 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 accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

District's Response to Findings

District's response to the findings identified in our audit is described in the accompanying **MANAGEMENT'S RESPONSE**. District's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 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,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 11, 2016



Sherrill F. Norman, 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 REQUIRED BY OMB CIRCULAR A-133

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 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, 2015. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **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.

Basis for Qualified Opinion on Title I Grants to Local Educational Agencies

As described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**, the District did not comply with requirements regarding CFDA No. 84.010 Title I Grants to Local Educational Agencies as described in Federal Awards Finding No. 2015-001 for Eligibility – Title I Allocations. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on Title I Grants to Local Educational Agencies

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Title I Grants to Local Educational Agencies for the fiscal year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

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 its other major Federal programs identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** for the fiscal year ended June 30, 2015.

District's response to the noncompliance finding identified in our audit is included as **MANAGEMENT'S RESPONSE**. District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 control 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Awards Finding No. 2015-001 that we consider to be a material weakness.

District's response to the internal control over compliance finding identified in our audit is included as **MANAGEMENT'S RESPONSE**. District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 11, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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?	Yes
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified for all major programs except for Title I Grants to Local Educational Agencies (CFDA No. 84.010), which was qualified.
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.553 and 10.555	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.011	Migrant Education – State Grant Program
93.558	Temporary Assistance for Needy Families
Dollar threshold used to distinguish between Type A and Type B programs:	\$383,585
Auditee qualified as low-risk auditee?	Yes

ADDITIONAL MATTERS

Finding 1: Virtual Instruction Program – Policies and Procedures

State law¹ provides that school districts are to prescribe and adopt standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. State law² establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely, written parental notification of VIP options; ensure the eligibility of students participating in the VIPs; and provide computer equipment, Internet access, and instructional materials to eligible students.

During the 2014-15 fiscal year, the District enrolled 134 part-time and 16 full-time VIP students. While the District generally administered the VIP in accordance with applicable State requirements, the District did not have comprehensive, written VIP policies and procedures to ensure compliance with statutory requirements, document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, or establish a reliable standard to measure the effectiveness and efficiency of operations. In response to our inquiry, in September 2015, the Board approved written VIP policies and procedures that addressed VIP options, student eligibility, and computer equipment and instructional materials for eligible VIP students.

The absence of comprehensive, written VIP policies and procedures during the 2014-15 fiscal year may have contributed to the following deficiencies and instances of District noncompliance:

- During the 2014-15 fiscal year, the District contracted with a Florida Department of Education (FDOE) approved VIP provider. State law³ requires VIP providers to conduct background screenings for all employees as a condition of approval by the FDOE as a VIP provider in the State. The FDOE process for approving VIP providers requires applicants to submit assurances that applicant employees have obtained the required background screenings and the required assurances indicate that lists of the background-screened employees are to be provided to each applicable school district. However, according to District personnel, the District did not initially obtain or request documentation to evidence that the VIP provider's three instructors had background screenings performed prior to the delivery of services but instead relied solely on assurances provided in the contract that background screenings would be conducted for all provider employees.

Subsequent to our inquiry, District personnel obtained evidence of the background screening for one of the three instructors who provided services to the District; however, the other two instructors were no longer District VIP instructors so the background screenings were unavailable. Absent effective controls to ensure that background screenings of VIP provider employees are timely performed, there is an increased risk that individuals with unsuitable backgrounds may be

¹ Section 1001.41(3), Florida Statutes.

² Section 1002.45, Florida Statutes.

³ Section 1002.45(2)(a)3., Florida Statutes.

interacting with students. In addition, individuals with unsuitable backgrounds may also be granted access to confidential or sensitive District data and information technology (IT) resources.

- Our review of the District's contract with the FDOE-approved provider, along with other related records, disclosed that:
 - o Although the contract with the FDOE-approved VIP provider established student-teacher ratios, the ratios appeared disproportionate as the ratios ranged from 65:1 (for kindergarten through grade 8) to 250:1 (for grades 9 through 12 elective courses). District personnel indicated that they reviewed the ratios in the contract; however, District records did not evidence the basis upon which District personnel determined the reasonableness of the ratios. Without records documenting the reasonableness of established ratios, there is an increased risk that the number of students in the VIP classes may be excessive and reduce the quality of the provider's virtual instruction.
 - o The contract did not include data quality requirements. The provider is to maintain significant amounts of education data to support the VIP administration and to meet District reporting needs for compliance with State funding, information, and accountability requirements in State law.⁴ Accordingly, it is essential that accurate and complete data maintained by the provider on behalf of the District be readily available. Inclusion of data quality requirements in the provider contract would help ensure that District expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to the provider.
 - o The contract did not specify any minimum required security controls the District considered necessary to protect the confidentiality, availability, and integrity of critical and sensitive education data. While the contracts contained requirements for the provider to implement, maintain, and use appropriate administrative, technical, or physical security measures required by Federal law,⁵ without specified minimum required security controls, there is an increased risk that provider information security and other IT controls may not be sufficient to protect the education data.
 - o The contract did not provide for the District's monitoring of provider compliance with contract terms or quality of instruction. Without such a provision, District personnel may be limited in their ability to perform monitoring. Such monitoring could include confirmation or verification that the VIP provider protected the confidentiality of student records and supplied students with necessary instructional materials.

A similar finding was noted in our report No. 2015-143.

Recommendation: The District should continue efforts to develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities. Such policies and procedures should ensure that:

- **Evidence of the performance of required background screenings for all VIP provider employees is obtained,**
- **District records document the reasonableness of student-teacher ratios established in the FDOE-approved VIP provider contract, and**
- **VIP provider contracts include necessary provisions.**

⁴ Section 1008.31, Florida Statutes.

⁵ The Family Educational Rights and Privacy Act (Title 20, Section 1232g, United States Code).

Finding 2: Information Technology – Disaster Recovery Plan

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

The District's disaster recovery plan consists of a formal disaster recovery agreement through the Panhandle Area Educational Consortium Gateway Computing Consortium whereby participating Districts agree to serve as alternate processing sites for each other in the event of a disaster that interrupts critical IT operations, and the plan was tested during the 2014-15 fiscal year. However, certain elements of the District's plan are outdated, including some of the identified IT infrastructure, IT systems, personnel, and contact information. In response to our inquiry, District personnel indicated that, while their intention was to update the disaster recovery plan in the 2014-15 fiscal year, they were unable to do so due to recent key personnel changes within the IT Department. Without an updated, comprehensive, written disaster recovery plan, there is an increased risk that the District may be unable to continue critical IT operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations.

Recommendation: District management should update the District's disaster recovery plan to ensure that the plan is relevant and applicable to resuming the operation of critical systems and minimizing the disruption to operations in the event of a disaster. Additionally, once updated, the District should continue to test the plan annually.

Finding 3: Information Technology – Security Controls – Data Loss Prevention and Management of Access Privileges

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

Without adequate security controls related to data loss prevention and management of access privileges, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings were communicated to District management in connection with our report Nos. 2014-114 and 2015-143.

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

Finding 4: Information Technology – Security Awareness Training Program

A comprehensive security awareness training program apprises new employees of, and reemphasizes to other employees, the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them. The program is particularly important because the District's IT systems maintain data that includes significant nonpublic records (e.g., student record information and other records that contain sensitive information).

Although District management provided all employees with copies of the applicable Board policy⁶ and required employees, students, and volunteers to read and sign acceptable use agreements, due to staffing shortages, the District had not developed a comprehensive security awareness training program to facilitate all employees' ongoing education and training on security responsibilities. Such education and training should address, for example, acceptable or prohibited methods for storage and transmission of data, password protection and usage, copyright issues, malicious software and virus threats, workstation controls, and handling of sensitive or confidential information. The lack of a comprehensive security awareness training program increases the risk that the District's data and IT resources may be compromised by employees while performing their assigned duties.

Recommendation: District management should develop a comprehensive security awareness training program to facilitate all employees' ongoing education and training on security responsibilities.

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 2015-001:

Federal Agency:	United States Department of Education
Pass-Through Entity:	Florida Department of Education (FDOE)
CFDA Number:	84.010
Program Title:	Title I Grants to Local Educational Agencies
Compliance Requirement:	Eligibility – Title I Allocations
Finding Type:	Material Noncompliance and Material Weakness
Questioned Costs:	\$407,527.89

Federal regulations⁷ require the District to allocate Title I Schoolwide Program funds to schools identified as eligible and selected to participate, in rank order, on the basis of the total number of children from low-income families in each school. If the District serves any attendance areas or schools in which the percentage of children from low-income families is below 35 percent, the District must allocate to each participating attendance area or school an amount for each child from a low-income family that is at least 125 percent of the Title I Program, Part A, per-pupil amount funding received for the year. Before allocating funds to eligible schools, Federal regulations⁸ require the District to reserve funds as necessary to provide services comparable to those provided to children in participating school attendance areas, including set asides and District initiatives that serve homeless children and promote parental

⁶ Board Policy 8.60 *Telecommunication Plan and Electronic Communication Use*.

⁷ Title 34, Section 200.78, Code of Federal Regulations (CFR).

⁸ Title 34, Section 200.77, CFR.

involvement. The remaining funds are available for allocation to participating schools in rank order using the calculated 125-percent per-pupil allocation until funds are fully allocated.

Federal regulations⁹ also require the District to ensure that Title I Program services provided for eligible private school children in the aggregate are equal to the amount of Title I Program funds generated by private school children from low-income families. In calculating the total number of children from low-income families, the District must include children from low-income families who attend private schools and allocate funds for each private school student based on the per-pupil allocation of the public school attendance area of the student's home address.

During the 2014-15 fiscal year, the District received a Title I Program allocation of \$1,175,873.73 and served 1,388 eligible Title I Program students. As part of our procedures, we requested District personnel to provide documentation of the District's allocation of budget amounts to the respective schools. District personnel provided copies of the final budget allocations that evidenced Title I Program fund allocations to one private school and six District schools, including Chipley High School which served a student population with a percentage of students from low-income families below 35 percent. Since the Chipley High School percentage was below 35 percent, the District was required to allocate to each school an amount for each child from a low-income family that was at least 125 percent of the Title I Program, Part A, per-pupil amount funding received for the year.

After consideration of the Federally required 125-percent allocation factor, the District was required to allocate \$1,058.96 per low-income child to all participating schools; however, District personnel were unaware of the 125-percent allocation requirement. After amounts were reserved for required set-asides and Districtwide initiatives, \$779,579.62 was available to allocate to the participating schools. After consideration of amounts reserved, the District allocated \$767,268.55 to six public schools, based on rank order, and \$12,311.07 to the Washington County Christian School, a private school, without consideration of the 125-percent per pupil allocation factor. As such, amounts were not properly allocated to the District's eligible Title I schools or to eligible private school children from low-income families. Following guidance provided by the FDOE, Table 1 shows the resulting questioned costs totaling \$407,527.89.

⁹ Title 34, Section 200.64, CFR.

Table 1
Title I Program Fund Allocations

School Attendance Area	Total Public Low-Income Students (A)	Total Private Low-Income Students (B)	Percent of Low-Income Students to Total Students (C)	Per Pupil Allocation (C)	Allocation Generated by Public Low-Income Students (A) x (C) = (D)	Allocation Generated by Private Low-Income Students (B) x (C) = (E)	Title I Program Allocation Per District Budget Public School (F)	Title I Program Allocation Per District Budget Private School (G)	Questioned Costs	
									Difference Between Required and Actual Allocations Private Low-Income Students (E) - (G) = (H)	Difference Between Required and Actual Allocations Public Low-Income Students (D) - (F) = (I)
Vernon Elementary School	257	8	49	\$1,058.96	\$272,152.72	\$ 8,471.68	\$209,992.81	\$ -	\$ 8,471.68	\$ 62,159.91
Vernon Middle School	180	4	44	1,058.96	190,612.80	4,235.84	94,320.00	-	4,235.84	96,292.80
Kate Smith Elementary School (1)	346	16	44	840.07	290,665.41	13,441.17	259,191.48	-	13,441.17	31,473.30
Vernon High School	112	-	39	-	-	-	57,792.00	-	-	57,792.00
Roulhac Middle School	210	3	36	-	-	-	106,470.00	-	-	106,470.00
Chipleigh High School	107	-	28	-	-	-	39,502.26	-	-	39,502.26
Washington County Christian School (2)	Not Applicable	Not Applicable	Not Applicable	-	-	-	-	12,311.07	(12,311.07)	-
Totals					<u>\$753,430.93</u>	<u>\$26,148.69</u>	<u>\$767,268.55</u>	<u>\$12,311.07</u>	<u>\$13,837.62</u>	<u>\$393,690.27</u>

Total Questioned Costs – Columns (H) + (I) \$407,527.89

- Notes: (1) The per-pupil allocation at Kate Smith Elementary School is less than \$1,058.96 because funds were not available to disburse the higher amount.
- (2) Funds for private school students are allocated based on the school attendance area of the student's home address and, therefore, private school students are counted in the population of their school attendance areas and not shown in the row for Washington County Christian School.

Professional auditing standards require that when an auditee does not comply, in all material respects, with a compliance requirement that could have a direct and material effect on one of its major Federal programs, appropriate disclosures (modifications) should be made in the auditor's report. As the District did not comply with the requirement regarding Eligibility – Title I Allocations that is applicable to the Title I Program, our report on the District's compliance with that requirement includes a modification to that effect. A similar finding was noted in our report No. 2015-143.

Recommendation: The District should enhance procedures to ensure that Title I Schoolwide Program resources are properly allocated to public and private schools. In addition, the District should provide documentation to the grantor (FDOE) supporting the allowability of the questioned costs, totaling \$407,527.89, or restore the moneys to the Title I Program.

District Contact Person: Dr. Bobbie Dawson, Director of Federal Programs

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report Nos. 2014-114 and 2015-143, except as noted in Findings 1, 3, and 2015-001 and shown in Table 2.

Table 2
Findings Also Noted in Previous Audit Reports

Finding	2013-14 Fiscal Year Audit Report No. 2015-143, Finding	2012-13 Fiscal Year Audit Report No. 2014-114, Finding
1	7	Not Applicable
3	9	7
2015-001	2014-001	Not Applicable

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2015-143 (2014-001)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Eligibility	Title I program resources were not properly allocated to schools, resulting in \$17,265.38 of questioned costs.	Not Corrected.	The grantor has not resolved the questioned costs. Also, a similar finding was noted in the 2014-15 fiscal year.

MANAGEMENT'S RESPONSE



Joseph Taylor
Superintendent of Schools
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"An Equal Opportunity Agency"
652 Third Street
Chipley, Florida 32428

March 1, 2016

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

Sherrill F. Norman, CPA
Auditor General
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

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, 2015. Individual responses are listed below:

Finding No. 1: Virtual Instruction Program Policies and Procedures

The District will continue to develop comprehensive, written Virtual Instruction Program (VIP) policies and procedures to enhance the effectiveness of its VIP operations and related activities and take appropriate action to remedy the deficiencies identified in this finding.

Finding No. 2: Information Technology – Disaster Recovery Plan

The District IT staff is updating the disaster recovery plan to include the critical components noted. The plan is to be submitted for Board approval in May 2016.

Finding No. 3: Information Technology – Security Controls - Data Loss Prevention and Management of Access Privileges

The District IT staff is updating the data loss prevention plan to include the critical components noted. The plan is to be submitted for Board approval in May 2016. The District through the Panhandle Area Educational Consortium continues to work with an independent company to improve security controls over management of access privileges.

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

The District will develop a comprehensive security awareness training program to facilitate all employees' ongoing education and training on security responsibilities.

"Quality Education Today For A Better Tomorrow"

Federal Awards Finding No. 2015-001: Eligibility – Title I Allocations

The District will enhance its procedures to ensure that Title I schoolwide program resources are properly allocated to schools by the end of the 2015-16 fiscal year. The Director of Federal Programs will consult with the Florida Department of Education by the end of the 2015-16 fiscal year about the allowability of the questioned costs.

Sincerely,



Herbert J. Taylor
Superintendent

HJT:lcc