STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2017-186
March 2017

WASHINGTON COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2016

Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2015-16 fiscal year, Herbert J. Taylor served as Superintendent of the Washington County Schools and the following individuals served as School Board Members:

	District No.
Vann Brock, Vice Chair	1
Wayne C. Saunders	2
Milton L. Brown, Chair	3
Terry Ellis	4
Susan G. Roberts	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 Pamela L. Corbin, CPA, and the audit was supervised by Shelly G. Curti, CPA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Supervisor, by e-mail at micahrodgers@aud.state.fl.us or by telephone at (850) 412-2905.

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WASHINGTON COUNTY DISTRICT SCHOOL BOARD

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SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the Washington County District School Board (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.

Summary of Report on Federal Awards

We audited the District's compliance with applicable Federal awards requirements. The Title I, Special Education Cluster, and Student Financial Assistance Cluster programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs. However, we did note instances of noncompliance and control deficiencies as summarized below.

Federal Awards Finding No. 2016-001: The District did not always calculate Federal Pell Program (Program) awards in accordance with Federal regulations or disburse Program funds in accordance with Federal Student Aid Handbook guidance.

Federal Awards Finding No. 2016-002: The District did not always ensure that student applications and other information were properly updated with information obtained by the required verification process or that awards were properly recalculated based on the verified information. As such, Program awards, totaling $9,870, to two students represent questioned costs subject to disallowance by the grantor.

Federal Awards Finding No. 2016-003: Program post withdrawal disbursements were not always accurately calculated.

Federal Awards Finding No. 2016-004: The District did not always accurately and timely report Program enrollment data.

Audit Objectives and Scope

Our audit objectives were to determine whether the 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 the District's major Federal programs;

- 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 the Federal awards finding included in our report No. 2016-122.

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, 2016. 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. The results of our operational audit of the District are included in our report No. 2017-056.

AUDIT METHODOLOGY

We conducted our audit in accordance with 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Sherrill F. Norman, CPA
Auditor General

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, 2016, 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 19 percent of the assets and 45 percent of the liabilities of the aggregate remaining fund information. Those statements were audited by other auditors whose report 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General Fund**, **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 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**, as required by Title 2 U.S. *Code of Federal* Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 dated March 23, 2017, 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

Sherrill F. Norman, CPA
Tallahassee, Florida
March 23, 2017

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, 2016. 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 2015-16 fiscal year are as follows:

- In total, net position increased $13,777,577.09, which represents a 19 percent increase from the 2014-15 fiscal year. This was mainly due to the receipt of Public Education Capital Outlay (PECO) Special Facility funding for construction of a new elementary school.
- General revenues total $40,558,970.24, or 60.3 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $26,690,076.99, or 39.7 percent of all revenues.
- Expenses total $53,471,470.14. Only $26,690,076.99 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 totaled $9,576,295.27, which is $832,070.68 less than the prior fiscal year balance. The General Fund assigned and unassigned fund balances were $2,978,815.07, or 9.7 percent of total General Fund revenues.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) 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 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 Fund 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. The District's enterprise funds are discussed in Note I.D.
- Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for the District's Health Self-Insurance Program. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, for those enterprise funds determined to be major. The District's major enterprise funds are the PAEC – Risk Management Property/Casualty Fund, PAEC – Risk Management Health Fund, and PAEC – Programs Other Than Risk Management Fund. In addition, the internal service fund is reported as 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 net pension liability, and 10-year claims information of the PAEC 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, 2016, compared to net position as of June 30, 2015:

Net Position, End of Year

	Governmental Activities		Business-Type Activities		Total	
	6-30-16	6-30-15	6-30-16	6-30-15	6-30-16	6-30-15
Current and Other Assets	$ 19,450,206.45	$ 19,853,878.41	$ 24,227,431.33	$ 24,328,121.13	$ 43,677,637.78	$ 44,181,999.54
Capital Assets	85,420,637.87	68,361,258.85	1,852,249.62	1,916,444.09	87,272,887.49	70,277,702.94
Total Assets	104,870,844.32	88,215,137.26	26,079,680.95	26,244,565.22	130,950,525.27	114,459,702.48
Deferred Outflows of Resources	3,611,034.00	2,687,557.00	618,331.00	500,529.00	4,229,365.00	3,188,086.00
Long-Term Liabilities	25,318,462.79	20,648,688.22	8,913,949.81	8,205,644.98	34,232,412.60	28,854,333.20
Other Liabilities	7,622,621.31	4,577,602.51	4,569,605.69	4,717,552.19	12,192,227.00	9,295,154.70
Total Liabilities	32,941,084.10	25,226,290.73	13,483,555.50	12,923,197.17	46,424,639.60	38,149,487.90
Deferred Inflows of Resources	2,050,855.00	5,835,801.00	351,177.00	1,086,858.00	2,402,032.00	6,922,659.00
Net Position:						
Net Investment in Capital Assets	76,986,344.99	66,108,194.19	1,852,249.62	1,916,444.09	78,838,594.61	68,024,638.28
Restricted	4,531,073.43	7,046,368.45	-	-	4,531,073.43	7,046,368.45
Unrestricted (Deficit)	(8,027,479.20)	(13,313,960.11)	11,011,029.83	10,818,594.96	2,983,550.63	(2,495,365.15)
Total Net Position	$ 73,489,939.22	$ 59,840,602.53	$ 12,863,279.45	$ 12,735,039.05	$ 86,353,218.67	$ 72,575,641.58

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 net investment in capital assets increased $10,813,956.33 mainly due to the substantial completion of the new Kate M. Smith Elementary School at June 30, 2016, less $8.4 million in related outstanding debt.

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 increased $5,478,915.78 as compared to June 30, 2015. The increase was primarily due to the increase in short-term debt related to construction of a new elementary school which decreased net investment in capital assets and caused a corresponding increase in unrestricted net position.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2016, and June 30, 2015, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities		Business-Type Activities		Total	
	6-30-16	6-30-15	6-30-16	6-30-15	6-30-16	6-30-15
Program Revenues:						
Charges for Services	$ 1,234,975.84	$ 1,353,256.71	$ 8,679,827.47	$ 8,976,155.76	$ 9,914,803.31	$ 10,329,412.47
Operating Grants and Contributions	1,317,473.03	1,373,223.29	247,411.37	252,464.93	1,564,884.40	1,625,688.22
Capital Grants and Contributions	15,210,389.28	7,256,182.79	-	-	15,210,389.28	7,256,182.79
General Revenues:						
Property Taxes, Levied for Operational Purposes	5,057,760.01	5,151,035.50	-	-	5,057,760.01	5,151,035.50
Property Taxes, Levied for Capital Projects	1,313,399.42	1,307,949.53	-	-	1,313,399.42	1,307,949.53
Grants and Contributions Not Restricted to Specific Programs	26,840,154.41	27,727,528.22	5,303,801.83	7,869,385.06	32,143,956.24	35,596,913.28
Unrestricted Investment Earnings	78,716.02	23,656.82	113,524.72	31,899.52	192,240.74	55,556.34
Miscellaneous	1,394,435.23	1,382,628.55	457,178.60	295,545.33	1,851,613.83	1,678,173.88
Total Revenues	52,447,303.24	45,575,461.41	14,801,743.99	17,425,450.60	67,249,047.23	63,000,912.01
Functions/Program Expenses:						
Instruction	19,710,498.66	19,135,017.53	-	-	19,710,498.66	19,135,017.53
Student Support Services	1,765,741.54	1,661,232.89	-	-	1,765,741.54	1,661,232.89
Instructional Media Services	495,783.57	532,190.35	-	-	495,783.57	532,190.35
Instruction and Curriculum Development Services	776,497.69	790,818.52	-	-	776,497.69	790,818.52
Instructional Staff Training Services	303,261.77	490,273.11	-	-	303,261.77	490,273.11
Instruction-Related Technology	456,233.02	392,387.44	-	-	456,233.02	392,387.44
Board	478,277.27	479,747.39	-	-	478,277.27	479,747.39
General Administration	488,139.12	471,495.69	-	-	488,139.12	471,495.69
School Administration	2,592,183.85	2,545,488.28	-	-	2,592,183.85	2,545,488.28
Facilities Acquisition and Construction	150,848.09	40,554.75	-	-	150,848.09	40,554.75
Fiscal Services	517,229.43	512,466.63	-	-	517,229.43	512,466.63
Food Services	1,475,869.83	1,469,449.04	-	-	1,475,869.83	1,469,449.04
Central Services	336,975.40	320,032.31	-	-	336,975.40	320,032.31
Student Transportation Services	2,355,429.95	2,308,007.86	-	-	2,355,429.95	2,308,007.86
Operation of Plant	2,165,041.66	2,205,580.59	-	-	2,165,041.66	2,205,580.59
Maintenance of Plant	838,293.63	748,363.96	-	-	838,293.63	748,363.96
Administrative Technology Services	294,099.30	688,493.98	-	-	294,099.30	688,493.98
Community Services	875,053.96	1,140,035.14	-	-	875,053.96	1,140,035.14
Unallocated Interest on Long-Term Debt	5,053.90	4,177.77	-	-	5,053.90	4,177.77
Unallocated Depreciation Expense	2,558,056.21	2,379,888.34	-	-	2,558,056.21	2,379,888.34
Loss on Disposal of Capital Assets	6,481.64	36,191.21	-	-	6,481.64	36,191.21
PAEC - Risk Management Property/Casualty	-	-	7,087,033.19	6,693,500.24	7,087,033.19	6,693,500.24
PAEC - Risk Management Health	-	-	90,863.66	110,017.91	90,863.66	110,017.91
PAEC - Programs Other Than Risk Management	-	-	7,554,485.02	7,413,390.56	7,554,485.02	7,413,390.56
PAEC - Programs Other Than Risk Management - Federal Economic Stimulus	-	-	94,038.78	2,357,082.27	94,038.78	2,357,082.27
Total Functions/Program Expenses	38,645,049.49	38,351,892.78	14,826,420.65	16,573,990.98	53,471,470.14	54,925,883.76
Excess (Deficiency) Before Transfers	13,802,253.75	7,223,568.63	(24,676.66)	851,459.62	13,777,577.09	8,075,028.25
Transfers	(152,917.06)	(168,059.83)	152,917.06	168,059.83	-	-
Change in Net Position	13,649,336.69	7,055,508.80	128,240.40	1,019,519.45	13,777,577.09	8,075,028.25
Net Position - Beginning	59,840,602.53	66,408,884.73	12,735,039.05	14,252,809.60	72,575,641.58	80,661,694.33
Adjustment to Beginning Net Position (1)	-	(13,623,791.00)	-	(2,537,290.00)	-	(16,161,081.00)
Net Position - Beginning, as Restated	59,840,602.53	52,785,093.73	12,735,039.05	11,715,519.60	72,575,641.58	64,500,613.33
Net Position - Ending	$ 73,489,939.22	$ 59,840,602.53	$ 12,863,279.45	$ 12,735,039.05	$ 86,353,218.67	$ 72,575,641.58

Note: (1) The adjustment to beginning net position was due to the implementation of Governmental Accounting Standards Board Statement No. 68 in the prior fiscal year, which was a change in accounting principle that required employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans.

The largest revenue source of governmental activities is the State of Florida (73.1 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.

Capital grants and contributions revenue increased by $7,954,206.49, or 109.6 percent. 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 Facility Construction allocation for the construction of a new elementary school.

Instruction expenses represent 51 percent of total governmental activities' expenses in the 2015-16 fiscal year. Instruction expenses increased by $575,481.13, or 3 percent, from the previous fiscal year due mainly to an increase in salaries and benefits and the recording of postemployment benefits.

PAEC – Risk Management Property/Casualty expenses increased by $393,532.95, or 5.9 percent, mainly due to an increase in insurance claims expense.

PAEC – Programs Other Than Risk Management expenses increased by $141,094.46, or 1.9 percent, primarily due to an increase in salaries and benefits.

PAEC – Programs Other Than Risk Management – Federal Economic Stimulus expense decreased by $2,263,043.49, or 96 percent, mainly due to the completion of the American Reinvestment and Recovery Act (ARRA) – State Fiscal Stabilization Fund Program.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

The total fund balances of governmental funds decreased by $3,237,886.34 during the fiscal year to $10,103,933.25 at June 30, 2016. Approximately 9.3 percent of this amount is unassigned fund balance ($935,776.69), 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 ($4,531,073.43), (2) committed for particular purposes ($2,594,044.75), or (3) assigned for particular purposes ($2,043,038.38).

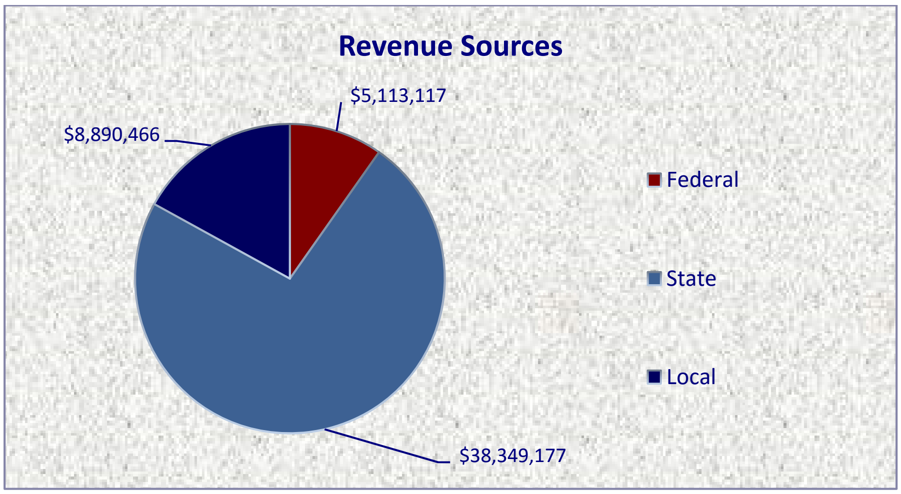
Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is $935,776.69, while the total fund balance is $9,576,295.27. 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 total revenues. The total assigned and unassigned fund balance is 9.7 percent of the total General Fund revenues, while total fund balance represents 31.3 percent of total General Fund revenues.

Total fund balance of the General Fund decreased $832,070.68 during the current fiscal year. The key factors impacting the change in fund balance are decreases in charges for services and other revenues without a corresponding decrease in expenditures. In addition, in the 2014-15 fiscal year, a transfer in from another fund was made to reimburse the General Fund for expenditures related to the Public Education Capital Outlay and Debt Service Trust Fund – Special Facility Construction Account funding, which resulted in a positive net change in fund balance in the 2014-15 fiscal year. No such transfer was made in the 2015-16 fiscal year.

The Capital Projects – Public Education Capital Outlay (PECO) Fund has a zero fund balance at June 30, 2016. A receivable in the amount of $5,934,759.08 was recorded for the 2016-17 fiscal year special allocation for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund – Special Facility Construction Account, received in August 2016.

The following chart indicates the sources of revenues for the District's governmental funds for the 2015-16 fiscal year.



Proprietary Funds

The net position of the PAEC – Risk Management Property/Casualty Fund totaled $12,944,166.72 at June 30, 2016, an increase of $101,228.04 from the previous year. The increase is primarily due to an increase in interest earnings.

The net position of the PAEC – Risk Management Health Fund was a deficit of $5,401.77 at June 30, 2016, an increase of $26,565.56 from the previous fiscal year. The increase is due to a reduction in salaries and benefits as a result of recording the change in the compensated absences payable.

The net position of the PAEC – Programs Other Than Risk Management Fund was a deficit of $78,477.70 at June 30, 2016, an increase of $8,096.49 from the previous fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no significant variances between the original and final budget. The positive final budget variances include amounts budgeted for 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, 2016, was $87,272,887.49 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software. The total increase in capital assets for the current fiscal year was $16,995,184.55 or 24.2 percent.

The major capital asset event during the fiscal year was the substantial completion of the new Kate M. Smith Elementary School. The cost is included in construction in progress.

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

Long-Term Debt

As part of the agreement whereby the District is receiving Special Facility Construction funding, the District made obligations of local millage assessments as well as capital outlay and debt service allocations for the next fiscal year. At June 30, 2016, the District reported a special PECO advance payable totaling $2,253,229.42.

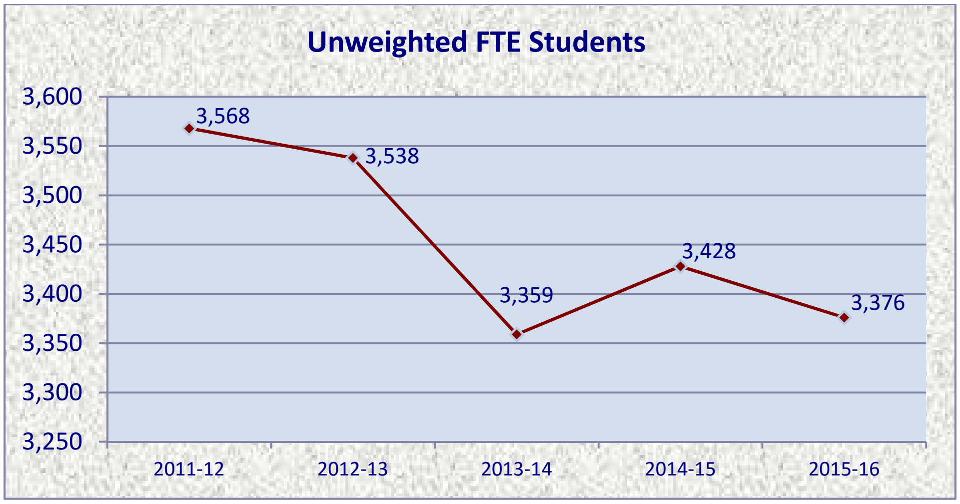
Additional information on the District's long-term debt can be found in Note II.J. to the financial statements.

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 final encumbrance authorizations in the amount of $9,226,361 in the 2016-17 fiscal year. The funding will be used for the construction of the new Kate M. Smith Elementary School and the demolition of structures at the old elementary school site.

Student Enrollment and Funding: State revenues comprise 75.3 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) students 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. The 2015-16 fiscal year count is down 192 from the 2011-12 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.

Washington County District School Board
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
ASSETS			
Cash and Cash Equivalents	$ 10,725,503.18	$ 24,735,911.45	$ 35,461,414.63
Investments	1,628.08	-	1,628.08
Accounts Receivable	498,947.03	201,885.29	700,832.32
Internal Balances	2,130,577.90	(2,130,577.90)	-
Due from Other Agencies	6,093,550.26	113,064.83	6,206,615.09
Due from Excess Insurer	-	1,304,789.38	1,304,789.38
Inventories	-	2,358.28	2,358.28
Capital Assets:			
Nondepreciable Capital Assets	28,013,794.48	665,380.10	28,679,174.58
Depreciable Capital Assets, Net	57,406,843.39	1,186,869.52	58,593,712.91
TOTAL ASSETS	104,870,844.32	26,079,680.95	130,950,525.27
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	3,611,034.00	618,331.00	4,229,365.00
LIABILITIES			
Accrued Salaries and Benefits	378,067.62	-	378,067.62
Payroll Deductions and Withholdings	250,775.43	-	250,775.43
Accounts Payable	637,945.51	200,417.35	838,362.86
Construction Contracts Payable	1,917,587.20	-	1,917,587.20
Construction Contracts Payable - Retained Percentage	825,176.26	-	825,176.26
Due to Other Agencies	-	4,341,733.81	4,341,733.81
Deposits Payable	240.00	-	240.00
Revenue Anticipation Note	3,371,300.00	-	3,371,300.00
Accrued Interest Payable	7,776.71	-	7,776.71
Unearned Revenues	12,047.58	27,454.53	39,502.11
Estimated Insurance Claims Payable	221,705.00	-	221,705.00
Long-Term Liabilities:			
Portion Due Within One Year	2,796,398.41	2,097,092.00	4,893,490.41
Portion Due After One Year	22,522,064.38	6,816,857.81	29,338,922.19
TOTAL LIABILITIES	32,941,084.10	13,483,555.50	46,424,639.60
DEFERRED INFLOWS OF RESOURCES			
Pensions	2,050,855.00	351,177.00	2,402,032.00
NET POSITION			
Net Investment in Capital Assets	76,986,344.99	1,852,249.62	78,838,594.61
Restricted for:			
State Required Carryover Programs	3,134,028.65	-	3,134,028.65
Public Education Capital Outlay Maintenance	28,365.63	-	28,365.63
Debt Service	1,628.08	-	1,628.08
Capital Projects	185,088.52	-	185,088.52
Food Service	340,921.38	-	340,921.38
Workforce Development	791,091.63	-	791,091.63
Other Required Carryover Programs	49,949.54	-	49,949.54
Unrestricted (Deficit)	(8,027,479.20)	11,011,029.83	2,983,550.63
TOTAL NET POSITION	$ 73,489,939.22	$ 12,863,279.45	$ 86,353,218.67

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, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Functions/Programs			
Governmental Activities:			
Instruction	$ 19,710,498.66	$ 805,364.56	$ -
Student Support Services	1,765,741.54	-	-
Instructional Media Services	495,783.57	-	-
Instruction and Curriculum Development Services	776,497.69	-	-
Instructional Staff Training Services	303,261.77	-	-
Instruction-Related Technology	456,233.02	-	-
Board	478,277.27	-	-
General Administration	488,139.12	-	-
School Administration	2,592,183.85	-	-
Facilities Acquisition and Construction	150,848.09	26,791.69	-
Fiscal Services	517,229.43	-	-
Food Services	1,475,869.83	290,366.38	1,317,473.03
Central Services	336,975.40	-	-
Student Transportation Services	2,355,429.95	112,453.21	-
Operation of Plant	2,165,041.66	-	-
Maintenance of Plant	838,293.63	-	-
Administrative Technology Services	294,099.30	-	-
Community Services	875,053.96	-	-
Unallocated Interest on Long-Term Debt	5,053.90	-	-
Unallocated Depreciation Expense*	2,558,056.21	-	-
Loss on Disposal of Capital Assets	6,481.64	-	-
Total Governmental Activities	38,645,049.49	1,234,975.84	1,317,473.03
Business-Type Activities:			
PAEC - Risk Management Property/Casualty	7,087,033.19	7,085,300.00	54.15
PAEC - Risk Management Health	90,863.66	-	117,357.00
PAEC - Programs Other Than Risk Management	7,554,485.02	1,594,527.47	130,000.22
PAEC - Programs Other Than Risk Management - Federal Economic Stimulus	94,038.78	-	-
Total Business-Type Activities	14,826,420.65	8,679,827.47	247,411.37
Total Governmental and Business-Type Activities	$ 53,471,470.14	$ 9,914,803.31	$ 1,564,884.40

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

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.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Business-Type Activities	Total
$ -	$ (18,905,134.10)	$ -	$ (18,905,134.10)
-	(1,765,741.54)	-	(1,765,741.54)
-	(495,783.57)	-	(495,783.57)
-	(776,497.69)	-	(776,497.69)
-	(303,261.77)	-	(303,261.77)
-	(456,233.02)	-	(456,233.02)
-	(478,277.27)	-	(478,277.27)
-	(488,139.12)	-	(488,139.12)
-	(2,592,183.85)	-	(2,592,183.85)
15,177,516.72	15,053,460.32	-	15,053,460.32
-	(517,229.43)	-	(517,229.43)
-	131,969.58	-	131,969.58
-	(336,975.40)	-	(336,975.40)
-	(2,242,976.74)	-	(2,242,976.74)
-	(2,165,041.66)	-	(2,165,041.66)
-	(838,293.63)	-	(838,293.63)
-	(294,099.30)	-	(294,099.30)
-	(875,053.96)	-	(875,053.96)
32,872.56	27,818.66	-	27,818.66
-	(2,558,056.21)	-	(2,558,056.21)
-	(6,481.64)	-	(6,481.64)
15,210,389.28	(20,882,211.34)	-	(20,882,211.34)
-	-	(1,679.04)	(1,679.04)
-	-	26,493.34	26,493.34
-	-	(5,829,957.33)	(5,829,957.33)
-	-	(94,038.78)	(94,038.78)
-	-	(5,899,181.81)	(5,899,181.81)
$ 15,210,389.28	(20,882,211.34)	(5,899,181.81)	(26,781,393.15)
	5,057,760.01	-	5,057,760.01
	1,313,399.42	-	1,313,399.42
	26,840,154.41	5,303,801.83	32,143,956.24
	78,716.02	113,524.72	192,240.74
	1,394,435.23	457,178.60	1,851,613.83
	(152,917.06)	152,917.06	-
	34,531,548.03	6,027,422.21	40,558,970.24
	13,649,336.69	128,240.40	13,777,577.09
	59,840,602.53	12,735,039.05	72,575,641.58
	$ 73,489,939.22	$ 12,863,279.45	$ 86,353,218.67

Washington County District School Board
Balance Sheet – Governmental Funds
June 30, 2016

	General Fund	Capital Projects - Public Education Capital Outlay Fund
ASSETS		
Cash and Cash Equivalents	$ 10,024,517.26	$ 110,502.26
Investments	-	-
Accounts Receivable	446,386.91	11,097.59
Due from Other Funds	51,181.65	-
Due from Other Agencies	33,507.06	5,934,759.08
TOTAL ASSETS	$ 10,555,592.88	$ 6,056,358.93
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accrued Salaries and Benefits	$ 378,067.62	$ -
Payroll Deductions and Withholdings	250,775.43	-
Accounts Payable	86,079.49	-
Construction Contracts Payable	-	1,852,105.96
Construction Contracts Payable - Retained Percentage	-	825,176.26
Due to Other Funds	257,689.50	-
Deposits Payable	240.00	-
Revenue Anticipation Note	-	3,371,300.00
Accrued Interest Payable	-	7,776.71
Unearned Revenues	6,445.57	-
Total Liabilities	979,297.61	6,056,358.93
Fund Balances:		
Restricted for:		
State Required Carryover Programs	3,134,028.65	-
Public Education Capital Outlay Maintenance	28,365.63	-
Debt Service	-	-
Capital Projects	-	-
Food Service	-	-
Workforce Development	791,091.63	-
Other Required Carryover Programs	49,949.54	-
Total Restricted Fund Balance	4,003,435.45	-
Committed for:		
Compensated Absences	2,594,044.75	-
Assigned for:		
Cost Center and Project Carryovers	1,843,038.38	-
Environmental Cleanup	200,000.00	-
Total Assigned Fund Balance	2,043,038.38	-
Unassigned Fund Balance	935,776.69	-
Total Fund Balances	9,576,295.27	-
TOTAL LIABILITIES AND FUND BALANCES	$ 10,555,592.88	$ 6,056,358.93

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

Other Governmental Funds	Total Governmental Funds
$ 590,483.66	$ 10,725,503.18
1,628.08	1,628.08
-	457,484.50
-	51,181.65
125,284.12	6,093,550.26
$ 717,395.86	$ 17,329,347.67
$ -	$ 378,067.62
-	250,775.43
48,014.10	134,093.59
65,481.24	1,917,587.20
-	825,176.26
70,660.53	328,350.03
-	240.00
-	3,371,300.00
-	7,776.71
5,602.01	12,047.58
189,757.88	7,225,414.42
-	3,134,028.65
-	28,365.63
1,628.08	1,628.08
185,088.52	185,088.52
340,921.38	340,921.38
-	791,091.63
-	49,949.54
527,637.98	4,531,073.43
-	2,594,044.75
-	1,843,038.38
-	200,000.00
-	2,043,038.38
-	935,776.69
527,637.98	10,103,933.25
$ 717,395.86	$ 17,329,347.67

Washington County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016

Total Fund Balances - Governmental Funds			$ 10,103,933.25
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.			85,420,637.87
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.			1,723,651.89
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:			
Bonds Payable	$	(67,000.00)	
Compensated Absences Payable		(3,364,227.37)	
Net Pension Liability		(13,861,464.00)	
Other Postemployment Benefits Payable		(5,772,542.00)	
Special Public Education Capital Outlay Advance Payable		(2,253,229.42)	(25,318,462.79)
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	$	3,611,034.00	
Deferred Inflows Related to Pensions		(2,050,855.00)	1,560,179.00
Net Position - Governmental Activities			$ 73,489,939.22

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, 2016

	General Fund	Capital Projects - Public Education Capital Outlay Fund
Revenues		
Intergovernmental:		
Federal Direct	$ 108,385.13	$ -
Federal Through State and Local	177,755.88	-
State	23,023,853.04	15,161,234.32
Local:		
Property Taxes	5,057,760.01	-
Charges for Services	944,609.46	-
Miscellaneous	1,275,894.14	1,638.04
Total Local Revenues	7,278,263.61	1,638.04
Total Revenues	30,588,257.66	15,162,872.36
Expenditures		
Current - Education:		
Instruction	18,215,593.73	-
Student Support Services	1,369,899.26	-
Instructional Media Services	512,881.33	-
Instruction and Curriculum Development Services	283,610.10	-
Instructional Staff Training Services	149,997.61	-
Instruction-Related Technology	472,757.48	-
Board	476,421.33	-
General Administration	333,356.50	-
School Administration	2,511,415.74	-
Facilities Acquisition and Construction	-	150,848.09
Fiscal Services	530,429.70	-
Food Services	3,800.65	-
Central Services	330,427.42	-
Student Transportation Services	1,993,500.41	-
Operation of Plant	2,165,041.66	-
Maintenance of Plant	809,465.91	-
Administrative Technology Services	293,598.54	-
Community Services	71,277.61	-
Fixed Capital Outlay:		
Facilities Acquisition and Construction	149,693.80	17,942,222.84
Other Capital Outlay	937,636.39	162,173.84
Debt Service:		
Principal	-	-
Interest and Fiscal Charges	-	-
Total Expenditures	31,610,805.17	18,255,244.77
Excess (Deficiency) of Revenues Over Expenditures	(1,022,547.51)	(3,092,372.41)
Other Financing Sources (Uses)		
Transfers In	302,280.84	849,565.07
Special Facility Education Capital Outlay Advance	-	94,164.76
Sale of Capital Assets	22,980.00	-
Loss Recoveries	15,248.05	-
Transfers Out	(150,032.06)	(94,278.00)
Total Other Financing Sources (Uses)	190,476.83	849,451.83
Net Change in Fund Balances	(832,070.68)	(2,242,920.58)
Fund Balances, Beginning	10,408,365.95	2,242,920.58
Fund Balances, Ending	$ 9,576,295.27	$ 0.00

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

Other Governmental Funds	Total Governmental Funds
$ 817,182.35	$ 925,567.48
4,009,793.99	4,187,549.87
164,090.01	38,349,177.37
1,313,399.42	6,371,159.43
290,366.38	1,234,975.84
6,798.57	1,284,330.75
1,610,564.37	8,890,466.02
6,601,630.72	52,352,760.74
1,412,819.99	19,628,413.72
424,147.00	1,794,046.26
-	512,881.33
466,438.69	750,048.79
151,844.80	301,842.41
-	472,757.48
-	476,421.33
147,851.08	481,207.58
18,398.00	2,529,813.74
-	150,848.09
-	530,429.70
1,459,398.72	1,463,199.37
-	330,427.42
-	1,993,500.41
-	2,165,041.66
-	809,465.91
-	293,598.54
803,776.35	875,053.96
424,895.65	18,516,812.29
362,448.71	1,462,258.94
27,000.00	27,000.00
5,053.90	5,053.90
5,704,072.89	55,570,122.83
897,557.83	(3,217,362.09)
-	1,151,845.91
-	94,164.76
-	22,980.00
-	15,248.05
(1,060,452.91)	(1,304,762.97)
(1,060,452.91)	(20,524.25)
(162,895.08)	(3,237,886.34)
690,533.06	13,341,819.59
$ 527,637.98	$ 10,103,933.25

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, 2016

Net Change in Fund Balances - Governmental Funds			$ (3,237,886.34)
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.			17,020,385.20
Contributions and certain other additions of capital assets are not reported as revenues in the governmental funds.			36,425.51
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. The loss was offset by an adjustment to add back capital assets that were improperly deleted in the prior year.			
	Loss on Disposal	$ (6,481.64)	
	Adjustment to Capital Assets	9,049.95	2,568.31
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current fiscal year.			27,000.00
Special Facility Construction Account advances provide current financial resources in the governmental funds, but increase long-term liabilities in the statement of net position. This is the increase in Special Facility Construction Account advances for the current fiscal year.			(94,164.76)
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.			162,265.19
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.			(608,958.00)
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	$ 1,254,245.00	
	HIS Pension Contribution	342,253.00	
	FRS Pension Expense	(523,102.00)	
	HIS Pension Expense	(520,890.00)	552,506.00
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of the internal service fund is reported with governmental activities.			(210,804.42)
Change in Net Position - Governmental Activities			$ 13,649,336.69

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, 2016

	Enterprise Funds		
	PAEC - Risk Management Property/Casualty	**PAEC - Risk Management Health**	**PAEC - Programs Other Than Risk Management**
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 16,601,893.01	$ 6,725,781.52	$ 1,408,236.92
Accounts Receivable	24,000.32	-	177,884.97
Due from Other Funds	-	-	193,826.24
Due from Other Agencies	-	-	113,064.83
Due from Excess Insurer	1,304,789.38	-	-
Inventories	-	-	2,358.28
Total Current Assets	17,930,682.71	6,725,781.52	1,895,371.24
Noncurrent Assets:			
Nondepreciable Capital Assets	-	-	665,380.10
Depreciable Capital Assets, Net	1,207.73	985.21	1,181,684.38
Total Noncurrent Assets	1,207.73	985.21	1,847,064.48
TOTAL ASSETS	17,931,890.44	6,726,766.73	3,742,435.72
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	25,057.00	13,078.00	580,196.00
LIABILITIES			
Current Liabilities:			
Accounts Payable	59,994.53	-	140,422.82
Due to Other Funds	-	2,322,513.84	1,890.30
Due to Other Agencies	414.00	4,335,323.09	5,996.72
Unearned Revenues	-	-	27,454.53
Estimated Insurance Claims Payable	2,041,846.00	-	-
Net Pension Liability	2,251.00	1,165.00	51,830.00
Total Current Liabilities	2,104,505.53	6,659,001.93	227,594.37
Noncurrent Liabilities:			
Compensated Absences Payable	92,874.40	14,047.55	716,282.86
Estimated Insurance Claims Payable	2,657,828.00	-	-
Net Pension Liability	105,322.00	52,026.00	2,353,837.00
Other Postemployment Benefits Payable	38,077.79	12,725.02	773,837.19
Total Noncurrent Liabilities	2,894,102.19	78,798.57	3,843,957.05
TOTAL LIABILITIES	4,998,607.72	6,737,800.50	4,071,551.42
DEFERRED INFLOWS OF RESOURCES			
Pensions	14,173.00	7,446.00	329,558.00
NET POSITION			
Investment in Capital Assets	1,207.73	985.21	1,847,064.48
Unrestricted	12,942,958.99	(6,386.98)	(1,925,542.18)
TOTAL NET POSITION (Deficit)	$ 12,944,166.72	$ (5,401.77)	$ (78,477.70)

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
$ -	$ 24,735,911.45	$ -
-	201,885.29	41,462.53
-	193,826.24	2,407,746.28
-	113,064.83	-
-	1,304,789.38	-
-	2,358.28	-
-	26,551,835.47	2,449,208.81
-	665,380.10	-
2,992.20	1,186,869.52	-
2,992.20	1,852,249.62	-
2,992.20	28,404,085.09	2,449,208.81
-	618,331.00	-
-	200,417.35	503,851.92
-	2,324,404.14	-
-	4,341,733.81	-
-	27,454.53	-
-	2,041,846.00	221,705.00
-	55,246.00	-
-	8,991,101.83	725,556.92
-	823,204.81	-
-	2,657,828.00	-
-	2,511,185.00	-
-	824,640.00	-
-	6,816,857.81	-
-	15,807,959.64	725,556.92
-	351,177.00	-
2,992.20	1,852,249.62	-
-	11,011,029.83	1,723,651.89
$ 2,992.20	$ 12,863,279.45	$ 1,723,651.89

Washington County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	Enterprise Funds		
	PAEC - Risk Management Property/Casualty	**PAEC - Risk Management Health**	**PAEC - Programs Other Than Risk Management**
OPERATING REVENUES			
Charges for Services	$ -	$ -	$ 1,588,791.13
Charges for Sales	-	-	5,736.34
Premiums	7,085,300.00	-	-
Other	54.15	117,357.00	130,000.22
Total Operating Revenues	7,085,354.15	117,357.00	1,724,527.69
OPERATING EXPENSES			
Salaries	160,172.50	59,406.17	3,317,822.81
Employee Benefits	36,311.18	19,180.94	773,318.48
Purchased Services	282,456.49	11,922.30	2,725,944.63
Energy Services	-	-	41,718.15
Materials and Supplies	10,792.68	-	180,285.73
Capital Outlay	5,023.81	-	56,760.02
Insurance Claims	3,156,649.22	-	-
Excess Insurance Premiums	3,154,943.76	-	-
Service Agent Fees	279,701.00	-	-
Other	150.00	-	360,425.05
Depreciation	832.55	354.25	98,210.15
Total Operating Expenses	7,087,033.19	90,863.66	7,554,485.02
Operating Income (Loss)	(1,679.04)	26,493.34	(5,829,957.33)
NONOPERATING REVENUES			
Interest	102,907.08	72.22	10,545.42
Gifts and Grants	-	-	5,217,412.74
Miscellaneous Local Sources	-	-	457,178.60
Total Nonoperating Revenues	102,907.08	72.22	5,685,136.76
Income (Loss) Before Transfers	101,228.04	26,565.56	(144,820.57)
Transfers In	-	-	152,917.06
Change in Net Position	101,228.04	26,565.56	8,096.49
Net Position - Beginning (Deficit)	12,842,938.68	(31,967.33)	(86,574.19)
Total Net Position - Ending (Deficit)	$ 12,944,166.72	$ (5,401.77)	$ (78,477.70)

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
$ -	$ 1,588,791.13	$ -
-	5,736.34	-
-	7,085,300.00	4,798,575.14
-	247,411.37	-
-	8,927,238.84	4,798,575.14
19,044.64	3,556,446.12	-
4,550.83	833,361.43	-
26,068.33	3,046,391.75	52,962.32
-	41,718.15	-
-	191,078.41	-
-	61,783.83	-
-	3,156,649.22	3,779,895.89
-	3,154,943.76	886,218.51
-	279,701.00	301,141.83
36,725.29	397,300.34	-
7,649.69	107,046.64	-
94,038.78	14,826,420.65	5,020,218.55
(94,038.78)	(5,899,181.81)	(221,643.41)
-	113,524.72	10,838.99
86,389.09	5,303,801.83	-
-	457,178.60	-
86,389.09	5,874,505.15	10,838.99
(7,649.69)	(24,676.66)	(210,804.42)
-	152,917.06	-
(7,649.69)	128,240.40	(210,804.42)
10,641.89	12,735,039.05	1,934,456.31
$ 2,992.20	$ 12,863,279.45	$ 1,723,651.89

Washington County District School Board
Statement of Cash Flows – Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	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	$ 7,085,300.00	$ -	$ 1,656,898.08
Cash Payments to Suppliers for Goods and Services	(3,695,265.42)	(11,922.30)	(3,505,877.30)
Cash Payments to Employees for Services	(183,520.56)	(97,181.71)	(4,173,723.98)
Cash Payments for Insurance Claims	(3,213,613.22)	-	-
Cash Received (Paid) from Other Operating Revenues	(72,318.25)	156,245.90	130,000.22
Net Cash Provided (Used) by Operating Activities	(79,417.45)	47,141.89	(5,892,702.98)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from Gifts and Grants	-	-	5,674,591.34
Transfer from Other Funds	-	-	152,917.06
Net Cash Provided by Noncapital Financing Activities	-	-	5,827,508.40
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	-	-	(42,852.17)
Net Cash Used by Capital and Related Financing Activities	-	-	(42,852.17)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Income	102,907.08	72.22	10,545.42
Net Cash Provided by Investing Activities	102,907.08	72.22	10,545.42
Net Increase (Decrease) in Cash and Cash Equivalents	23,489.63	47,214.11	(97,501.33)
Cash and Cash Equivalents, Beginning	16,578,403.38	6,678,567.41	1,505,738.25
Cash and Cash Equivalents, Ending	$ 16,601,893.01	$ 6,725,781.52	$ 1,408,236.92
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	$ (1,679.04)	$ 26,493.34	$ (5,829,957.33)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	832.55	354.25	98,210.15
Changes in Assets and Liabilities:			
Accounts Receivable	(19,000.32)	-	(148,708.73)
Due from Other Funds	-	-	119,183.82
Due from Other Agencies	-	-	117,363.13
Due from Excess Insurer	(53,372.08)	-	-
Accounts Payable	37,662.21	-	8,264.84
Due to Other Funds	(33.89)	(595,436.93)	(2,423.85)
Due to Other Agencies	174.00	634,325.83	(146,584.71)
Unearned Revenues	-	-	(25,467.61)
Compensated Absences Payable	13,564.67	(18,282.71)	(67,027.13)
Estimated Insurance Claims Payable	(56,964.00)	-	-
Net Pension Liability	31,656.00	15,774.00	711,444.00
Deferred Outflows of Resources Related to Pensions	(4,035.00)	(2,717.00)	(111,050.00)
Deferred Inflows of Resources Related to Pensions	(31,475.00)	(15,052.00)	(689,154.00)
Other Postemployment Benefits Payable	3,252.45	1,683.11	73,204.44
Total Adjustments	(77,738.41)	20,648.55	(62,745.65)
Net Cash Provided (Used) by Operating Activities	$ (79,417.45)	$ 47,141.89	$ (5,892,702.98)

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
$ -	$ 8,742,198.08	$ 5,102,472.94
(62,793.62)	(7,275,858.64)	(1,940,381.44)
(23,595.47)	(4,478,021.72)	-
-	(3,213,613.22)	(3,808,062.89)
-	213,927.87	635,132.40
(86,389.09)	(6,011,367.63)	(10,838.99)
86,389.09	5,760,980.43	-
-	152,917.06	-
86,389.09	5,913,897.49	-
-	(42,852.17)	-
-	(42,852.17)	-
-	113,524.72	10,838.99
-	113,524.72	10,838.99
-	(26,797.59)	-
-	24,762,709.04	-
$ 0.00	$ 24,735,911.45	$ 0.00
$ (94,038.78)	$ (5,899,181.81)	$ (221,643.41)
7,649.69	107,046.64	-
-	(167,709.05)	(41,462.53)
665,167.79	784,351.61	899,334.73
-	117,363.13	-
-	(53,372.08)	81,158.00
(530,750.92)	(484,823.87)	(700,058.78)
(8,846.73)	(606,741.40)	-
(125,570.14)	362,344.98	-
-	(25,467.61)	-
-	(71,745.17)	-
-	(56,964.00)	(28,167.00)
-	758,874.00	-
-	(117,802.00)	-
-	(735,681.00)	-
-	78,140.00	-
7,649.69	(112,185.82)	210,804.42
$ (86,389.09)	$ (6,011,367.63)	$ (10,838.99)

Washington County District School Board
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds
June 30, 2016

		Agency Funds
ASSETS		
Cash and Cash Equivalents	$	711,390.00
Investments		37,313.00
Inventories		11,613.00
TOTAL ASSETS	$	760,316.00
LIABILITIES		
Accounts Payable	$	7,857.00
Internal Accounts Payable		752,459.00
TOTAL LIABILITIES	$	760,316.00

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

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 the internal service fund, 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.

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.
- 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 the internal service funds) 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. Measurement Focus and 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 as soon as all eligibility requirements imposed by the provider have been met.

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 as soon as they are both 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. For this purpose, 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 is 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 liquid investments with original maturities of 3 months or less from the date of acquisition. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME.

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 acquisition 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:

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

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

5. 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.

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 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 the commitment of 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 Director of Finance 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 special allocations in the 2014-15 and 2015-16 fiscal years 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 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 2015 tax levy on September 8, 2015. 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 of 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 – Programs Other Than Risk Management Fund result from providing services and producing and delivering goods in connection with the proprietary fund's ongoing operations and from 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 insurance premiums. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to 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

The District's investments at June 30, 2016, are reported as follows:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	39 Day Average	$ 31,803,910.26
Debt Service Accounts	6 Months	1,628.08
Total Investments		$ 31,805,538.34

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

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The SBA debt service accounts are valued using level 1 inputs.

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.

For Florida PRIME, Section 218.409(8)(a), Florida Statutes, states that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

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. Disclosures for the debt service accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

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	Adjustments (1)	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	7,642,511.59	-	18,382,118.49	450.00	26,024,180.08
Total Capital Assets Not Being Depreciated	9,632,125.99	-	18,382,118.49	450.00	28,013,794.48
Capital Assets Being Depreciated:					
Improvements Other Than Buildings	2,494,344.14	-	23,387.67	-	2,517,731.81
Buildings and Fixed Equipment	75,401,990.57	-	111,756.13	-	75,513,746.70
Furniture, Fixtures, and Equipment	9,192,232.44	15,513.90	1,139,711.45	489,232.40	9,858,225.39
Motor Vehicles	6,457,665.59	-	355,039.00	180,091.84	6,632,612.75
Audio Visual Materials and Computer Software	334,575.09	-	3,934.00	2,977.29	335,531.80
Total Capital Assets Being Depreciated	93,880,807.83	15,513.90	1,633,828.25	672,301.53	94,857,848.45
Less Accumulated Depreciation for:					
Improvements Other Than Buildings	1,102,718.39	-	127,127.93	-	1,229,846.32
Buildings and Fixed Equipment	22,274,120.23	-	1,592,123.89	-	23,866,244.12
Furniture, Fixtures, and Equipment	6,764,706.87	6,463.95	800,140.85	482,750.76	7,088,560.91
Motor Vehicles	4,714,178.71	-	426,740.71	180,091.84	4,960,827.58
Audio Visual Materials and Computer Software	295,950.77	-	12,552.65	2,977.29	305,526.13
Total Accumulated Depreciation	35,151,674.97	6,463.95	2,958,686.03	665,819.89	37,451,005.06
Total Capital Assets Being Depreciated, Net	58,729,132.86	9,049.95	(1,324,857.78)	6,481.64	57,406,843.39
Governmental Activities Capital Assets, Net	$ 68,361,258.85	$ 9,049.95	$ 17,057,260.71	$ 6,931.64	$ 85,420,637.87

Note: (1) These adjustments were made to correct errors in the capital assets and depreciation schedules.

	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	2,208,830.21	42,852.17	-	2,251,682.38
Audio Visual Materials and Computer Software	91,509.81	-	-	91,509.81
Total Capital Assets Being Depreciated	3,746,207.15	42,852.17	-	3,789,059.32
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	176,490.80	13,629.38	-	190,120.18
Buildings and Fixed Equipment	209,703.36	22,757.04	-	232,460.40
Furniture, Fixtures, and Equipment	2,017,944.59	70,358.15	-	2,088,302.74
Audio Visual Materials and Computer Software	91,004.41	302.07	-	91,306.48
Total Accumulated Depreciation	2,495,143.16	107,046.64	-	2,602,189.80
Total Capital Assets Being Depreciated, Net	1,251,063.99	(64,194.47)	-	1,186,869.52
Business-Type Activities Capital Assets, Net	$ 1,916,444.09	$ (64,194.47)	$ 0.00	$ 1,852,249.62

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	$ 400,629.82
Unallocated	2,558,056.21
Total Depreciation Expense - Governmental Activities	$ 2,958,686.03
BUSINESS-TYPE ACTIVITIES	
PAEC - Risk Management Property/Casualty	$ 832.55
PAEC - Risk Management Health	354.25
PAEC - Programs Other Than Risk Management	98,210.15
PAEC - Programs Other Than Risk Management - Federal Economic Stimulus	7,649.69
Total Depreciation Expense - Business-Type Activities	$ 107,046.64

D. Retirement Plans

1. 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 $1,222,756 for the fiscal year ended June 30, 2016.

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* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers* – 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:

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
Regular 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 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 2015-16 fiscal year were as follows:

Class	Percent of Gross Salary Employee	Employer (1)
FRS, Regular	3.00	7.26
FRS, Elected County Officers	3.00	42.27
DROP - Applicable to Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 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 $1,469,013 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a liability of $8,329,342 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.064486855 percent, which was a decrease of 0.001094443 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized the Plan pension expense of $612,673. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 879,332	$ 197,547
Change of assumptions	552,846	-
Net difference between projected and actual earnings on FRS pension plan investments	-	1,988,908
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	190,384	143,638
District FRS contributions subsequent to the measurement date	1,469,013	-
Total	$ 3,091,575	$ 2,330,093

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling $1,469,013, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30		Amount
2017	$	(641,741)
2018		(641,742)
2019		(641,742)
2020		999,170
2021		176,881
Thereafter		41,643
Total	$	(707,531)

Actuarial Assumptions. The total pension liability in the July 1, 2015, 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, 2015, 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%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real Estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
Total	100%			
Assumed Inflation - Mean		2.6%		1.9%

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 (asset)	$ 21,583,209	$ 8,329,342	$ (2,700,052)

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, 2016, 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 Federal 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, 2016, the contribution rate was 1.66 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 $400,858 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a net pension liability of $8,098,553 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, and update procedures were used to determine liabilities as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.079409826 percent, which was a decrease of 0.000926901 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized the HIS Plan pension expense of $610,083. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 637,145	$ -
Net difference between projected and actual earnings on HIS pension plan investments	4,384	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	95,403	71,939
District contributions subsequent to the measurement date	400,858	-
Total	$ 1,137,790	$ 71,939

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling $400,858, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2017	$ 117,701
2018	117,701
2019	117,702
2020	116,809
2021	116,382
Thereafter	78,698
Total	$ 664,993

Actuarial Assumptions. The total pension liability in the July 1, 2015, 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	3.80 percent

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

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.8 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 3.8 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 (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate:

	1% Decrease (2.8%)	**Current Discount Rate (3.8%)**	**1% Increase (4.8%)**
District's proportionate share of the net pension liability	$ 9,227,924	$ 8,098,553	$ 7,156,827

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. Retirement benefits are based upon the value of the member's account upon retirement. 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, 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 Investment 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 Plan members' accounts during the 2015-16 fiscal year were as follows:

Class	Percent of Gross Compensation
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, regardless of membership class. 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, 2016, 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 $168,864 for the fiscal year ended June 30, 2016.

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 2015-16 fiscal year, 183 retirees received other postemployment benefits. The District provided required contributions of $586,253 toward the annual OPEB cost, net of retiree contributions totaling $964,132, which represents 5.39 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:

Description	Amount
Normal Cost (service cost for 1 year)	$ 498,897
Amortization of Unfunded Actuarial Accrued Liability	810,899
Annual Required Contribution	1,309,796
Interest on Net OPEB Obligation	209,808
Adjustment to Annual Required Contribution	(246,253)
Annual OPEB Cost (Expense)	1,273,351
Contribution Toward the OPEB Cost	(586,253)
Increase in Net OPEB Obligation	687,098
Net OPEB Obligation, Beginning of Year	5,910,084
Net OPEB Obligation, End of Year	$ 6,597,182

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, 2016, and the 2 preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013-14	$ 1,452,016	47.38%	$ 5,211,146
2014-15	1,234,724	43.39%	5,910,084
2015-16	1,273,351	46.04%	6,597,182

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 Schedule of Funding Progress immediately following the notes to financial statements as required supplementary information, 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 calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial valuations used actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The District's OPEB actuarial valuation as of October 1, 2014, used the entry age normal actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2016, and to estimate the District's 2015-16 fiscal year ARC. 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 percent 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 payroll growth rate include a general price inflation of 2.5 percent. The unfunded actuarial accrued liability is being amortized as a level percent of expected payroll on a closed basis over a 30-year period. The remaining amortization period at June 30, 2016, was 22 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 fiscal year are carried forward and the next fiscal year's appropriations are likewise encumbered.

The following is a schedule of encumbrances at June 30, 2016:

Major Governmental Funds			
General	Capital Projects - Public Education Capital Outlay	Nonmajor Governmental Funds	Total Governmental Funds
$ 80,799.48	$ 1,431,408.37	$ 10,273.85	$ 1,522,481.70

Major Enterprise Funds		
PAEC - Risk Management Property/ Casualty	PAEC - Programs Other Than Risk Management	Total Enterprise Funds
$ 23,073.54	$ 90,361.78	$ 113,435.32

At June 30, 2016, the encumbrances for the Capital Projects – Public Education Capital Outlay Fund exceeded total fund balance by $1,431,408.37. In addition, the encumbrances for the PAEC – Programs Other Than Risk Management exceeded total net position by $168,839.48. 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	$ 1,506,582.15	$ 1,446,318.86	$ 60,263.29
Contractor	16,724,180.12	16,503,525.20	220,654.92
Direct Purchase Orders	6,938,781.64	6,697,576.96	241,204.68
Total	$ 25,169,543.91	$ 24,647,421.02	$ 522,122.89

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, sabotage and terrorism, 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 II.H.

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

A liability in the amount of $221,705 was actuarially determined to cover estimated incurred, but not reported, District health insurance claims payable at June 30, 2016. 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 claim projection 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, 2016. The claim projection method used historical claims 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 2016. The claim projection method was used to estimate the level of incurred but unpaid claims for the incurral months of May 2016 and June 2016. 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 reserve. 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:

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2014-15	$ 349,270	$ 3,135,430	$ (3,234,828)	$ 249,872
2015-16	249,872	3,779,896	(3,808,063)	221,705

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 2015-16 fiscal year:

1. Description of the Fund

The PAEC – RMC, a public entity risk pool, was organized in 1981 to provide a program for 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, 2016, 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, 2016, in the amount of $3,154,943.76. The amount of $97,025 of excess insurance recoverable on unpaid claims was deducted from the liability for unpaid claims at June 30, 2016.
- 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 2014-15 and 2015-16 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 Property/Casualty Program:

	Reconciliation of Claims Liability 2014-15	2015-16
Estimated Unpaid Claims Liability at Beginning of Year	$ 5,066,340	$ 4,756,638
Incurred Claims and Claims Adjustment Expenses:		
Provisions for Insured Events of the Current Year	3,125,000	3,035,000
Increase (Decrease) in Provision for Events in Prior Years	(605,103)	121,649
Total Insurance Claims Expenses	2,519,897	3,156,649
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of the Current Year	822,287	1,014,406
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Year	2,007,312	2,199,207
Total Insurance Claims Payable	2,829,599	3,213,613
Estimated Unpaid Claims Liability at End of Year	$ 4,756,638	$ 4,699,674

I. Changes in Short-Term Debt

The following is a schedule of changes in short-term debt:

	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Revenue Anticipation Note	$ -	$ 3,371,300	$ -	$ 3,371,300

On February 8, 2016, the District issued a Revenue Anticipate Note (RAN) in the amount of $3,371,300. The proceeds were used to fund construction expenses until receipt of the 2016-17 fiscal year PECO Special Facility Construction Account funding. The RAN was issued at an interest rate of 1.485 percent.

J. Long-Term Liabilities

1. Special Public Education Capital Outlay Advance Payable

The liability at June 30, 2016, of $2,253,229.42 represents the amount of the Public Education Capital Outlay Special Facility 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, 2016, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2014B, Refunding	$ 67,000	2 - 5	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, 2016, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
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	$ 72,370.00	$ 67,000.00	$ 5,370.00

3. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	$ 94,000.00	$ -	$ 27,000.00	$ 67,000.00	$ 29,000.00
Compensated Absences Payable	3,526,492.56	321,962.02	484,227.21	3,364,227.37	191,534.99
Net Pension Liability	9,705,547.00	8,942,782.00	4,786,865.00	13,861,464.00	322,634.00
Other Postemployment Benefits Payable	5,163,584.00	1,150,108.00	541,150.00	5,772,542.00	-
Special Public Education Capital Outlay Advance Payable	2,159,064.66	94,164.76	-	2,253,229.42	2,253,229.42
Total Governmental Activities	$ 20,648,688.22	$ 10,509,016.78	$ 5,839,242.21	$ 25,318,462.79	$ 2,796,398.41
BUSINESS-TYPE ACTIVITIES					
Estimated Insurance Claims Payable	$ 4,756,638.00	$ 3,156,649.00	$ 3,213,613.00	$ 4,699,674.00	$ 2,041,846.00
Compensated Absences Payable	894,949.98	2,082.01	73,827.18	823,204.81	-
Net Pension Liability	1,807,557.00	1,562,129.00	803,255.00	2,566,431.00	55,246.00
Other Postemployment Benefits Payable	746,500.00	123,243.00	45,103.00	824,640.00	-
Total Business-Type Activities	$ 8,205,644.98	$ 4,844,103.01	$ 4,135,798.18	$ 8,913,949.81	$ 2,097,092.00

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.

K. 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.

L. Interfund Receivables and Payables

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

	Interfund	
Funds	**Receivables**	**Payables**
Major:		
General	$ 51,181.65	$ 257,689.50
Enterprise:		
PAEC - Risk Management Health	-	2,322,513.84
PAEC - Programs Other Than Risk Management	193,826.24	1,890.30
Nonmajor Governmental	-	70,660.53
Internal Service	2,407,746.28	-
Total	$ 2,652,754.17	$ 2,652,754.17

Interfund receivables and payables are recorded to reflect fees, reimbursements, and advances owed by one fund to another as of June 30, 2016. These amounts are expected to be repaid within 1 year.

M. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2015-16 fiscal year:

Source	Amount
Governmental Funds:	
Florida Education Finance Program	$ 16,035,441.00
Gross Receipts Tax (Public Education Capital Outlay)	15,161,234.32
Categorical Educational Program - Class Size Reduction	3,301,621.00
Workforce Development Program	3,036,566.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	143,432.96
Voluntary Prekindergarten Program	110,352.60
Performance-Based Incentives - Workforce	100,082.00
School Recognition	82,796.00
Florida Best and Brightest Teacher Scholarship Program	24,768.81
Miscellaneous	352,882.68
Subtotal - Governmental	38,349,177.37
Enterprise Funds:	
Regional Educational Consortium Services	580,019.45
Grants and Aid - Instructional Materials	22,393.07
Miscellaneous	43,311.55
Subtotal - Enterprise	645,724.07
Total	$ 38,994,901.44

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 2015 tax roll for the 2015-16 fiscal year:

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	5.026	$ 4,565,409.61
Basic Discretionary Local Effort	0.748	679,452.13
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,362,537.69
Total	7.274	$ 6,607,399.43

N. Interfund Transfers

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$ 302,280.84	$ 150,032.06
Capital Projects:		
Public Education Capital Outlay	849,565.07	94,278.00
Enterprise:		
PAEC - Programs Other Than Risk Management	152,917.06	-
Nonmajor Governmental	-	1,060,452.91
Total	$ 1,304,762.97	$ 1,304,762.97

The transfers to the General Fund were for reimbursement of certain expenditures relating to the construction of the new elementary school, maintenance, renovation, operating leases, and insurance premiums. Transfers to the Capital Projects – Public Education Capital Outlay Fund were for revenue pledged in connection with the PECO Special Facility 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 maintenance and renovation expenditures.

III. CONSORTIUMS

The District is a member of, and the fiscal agent for, the PAEC. The PAEC was established pursuant to Sections 1001.42(4)(j), 1001.42(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.

Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 128,788.00	$ 108,385.13	$ 108,385.13	$ -
Federal Through State and Local	100,337.76	177,755.88	177,755.88	-
State	23,500,141.24	23,023,853.04	23,023,853.04	-
Local:				
Property Taxes	5,040,902.00	5,057,760.01	5,057,760.01	-
Charges for Services	-	-	944,609.46	944,609.46
Miscellaneous	1,458,510.49	2,220,503.60	1,275,894.14	(944,609.46)
Total Local Revenues	6,499,412.49	7,278,263.61	7,278,263.61	-
Total Revenues	30,228,679.49	30,588,257.66	30,588,257.66	-
Expenditures				
Current - Education:				
Instruction	23,815,792.51	22,876,543.28	18,215,593.73	4,660,949.55
Student Support Services	1,310,205.49	1,574,076.60	1,369,899.26	204,177.34
Instructional Media Services	544,063.03	583,951.22	512,881.33	71,069.89
Instruction and Curriculum Development Services	304,148.65	325,647.35	283,610.10	42,037.25
Instructional Staff Training Services	221,311.49	177,292.49	149,997.61	27,294.88
Instruction-Related Technology	483,731.16	614,876.27	472,757.48	142,118.79
Board	446,778.00	485,294.95	476,421.33	8,873.62
General Administration	298,566.96	351,344.53	333,356.50	17,988.03
School Administration	2,566,062.40	2,653,593.86	2,511,415.74	142,178.12
Facilities Acquisition and Construction	362,306.13	246,515.00	-	246,515.00
Fiscal Services	552,907.39	599,970.53	530,429.70	69,540.83
Food Services	1,982.23	3,800.65	3,800.65	-
Central Services	362,343.82	398,073.06	330,427.42	67,645.64
Student Transportation Services	2,225,842.70	2,330,821.53	1,993,500.41	337,321.12
Operation of Plant	2,122,537.69	2,222,208.59	2,165,041.66	57,166.93
Maintenance of Plant	1,079,362.52	1,193,510.25	809,465.91	384,044.34
Administrative Technology Services	344,816.73	355,487.26	293,598.54	61,888.72
Community Services	134,759.61	160,515.67	71,277.61	89,238.06
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	149,693.80	149,693.80	-
Other Capital Outlay	-	937,636.39	937,636.39	-
Total Expenditures	37,177,518.51	38,240,853.28	31,610,805.17	6,630,048.11
Deficiency of Revenues Over Expenditures	(6,948,839.02)	(7,652,595.62)	(1,022,547.51)	6,630,048.11
Other Financing Sources (Uses)				
Transfers In	211,328.00	302,280.84	302,280.84	-
Sale of Capital Assets	-	22,980.00	22,980.00	-
Loss Recoveries	567.00	15,248.05	15,248.05	-
Transfers Out	(50,000.00)	(150,032.06)	(150,032.06)	-
Total Other Financing Sources	161,895.00	190,476.83	190,476.83	-
Net Change in Fund Balances	(6,786,944.02)	(7,462,118.79)	(832,070.68)	6,630,048.11
Fund Balances, Beginning	10,408,365.95	10,408,365.95	10,408,365.95	-
Fund Balances, Ending	$ 3,621,421.93	$ 2,946,247.16	$ 9,576,295.27	$ 6,630,048.11

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]
10/01/10	$ -	$ 26,269,544	$ 26,269,544	0.0%	$ 18,282,593	143.69%
10/01/12	-	21,081,563	21,081,563	0.0%	17,815,524	118.33%
10/01/14	-	18,469,418	18,469,418	0.0%	17,886,173	103.26%

Note: (1) The District's OPEB actuarial valuation used the entry age normal actuarial 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)

	2015	2014	2013
District's proportion of the FRS net pension liability	0.064486855%	0.065581298%	0.063960944%
District's proportionate share of the FRS net pension liability	$ 8,329,342	$ 4,001,424	$ 11,010,525
District's covered-employee payroll	$ 22,720,129	$ 22,245,035	$ 21,394,012
District's proportionate share of the FRS pension liability as a percentage net of its covered-employee payroll	36.66%	17.99%	51.47%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	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)

	2016	2015	2014
Contractually required FRS contribution	$ 1,469,013	$ 1,572,244	$ 1,436,508
FRS contributions in relation to the contractually required contribution	(1,469,013)	(1,572,244)	(1,436,508)
FRS contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 22,773,528	$ 22,720,129	$ 22,245,035
FRS contributions as a percentage of covered-employee payroll	6.45%	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)

	2015	2014	2013
District's proportion of the HIS net pension liability	0.079409826%	0.080336727%	0.078819482%
District's proportionate share of the HIS net pension liability	$ 8,098,553	$ 7,511,680	$ 6,862,272
District's covered-employee payroll	$ 24,104,424	$ 23,871,632	$ 22,889,069
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	33.60%	31.47%	29.98%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	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)

	2016	2015	2014
Contractually required HIS contribution	$ 400,858	$ 303,554	$ 275,207
HIS contributions in relation to the contractually required contribution	(400,858)	(303,554)	(275,207)
HIS contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 24,151,257	$ 24,104,424	$ 23,871,632
HIS contributions as a percentage of covered-employee payroll	1.66%	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 For the Fiscal Year Ended June 30

	2007	2008	2009	2010
Net Earned Required Contribution and Investment Revenues:				
Earned	$ 10,569,582	$ 10,477,909	$ 9,867,184	$ 8,499,535
Excess Insured	4,974,901	5,129,437	4,848,596	4,682,139
Total Net Earned Required Contribution and Investment Revenues	5,594,681	5,348,472	5,018,588	3,817,396
Unallocated Expenses	1,037,647	1,090,175	1,551,016	1,192,285
Estimated Incurred Claims and Expense, End of Policy Year:				
Incurred	2,676,832	3,630,953	3,345,898	2,517,852
Excess Insured	112,240	200,000	26,000	-
Total Estimated Incurred Claims and Expense, End of Policy Year	2,564,592	3,430,953	3,319,898	2,517,852
Net Paid (Cumulative) as of:				
End of Policy Year	688,723	948,829	949,419	641,794
One Year Later	1,678,444	2,171,636	1,865,986	1,405,091
Two Years Later	2,180,460	2,498,780	2,351,378	1,821,551
Three Years Later	2,319,831	2,533,577	2,436,759	2,025,296
Four Years Later	2,422,083	2,543,417	2,441,781	2,124,975
Five Years Later	2,439,511	2,553,564	2,442,992	2,251,825
Six Years Later	2,441,678	2,560,077	2,452,561	2,350,253
Seven Years Later	2,444,065	2,616,921	2,454,379	-
Eight Years Later	2,444,652	2,614,767	-	-
Nine Years Later	2,354,658	-	-	-
Reestimated Excess Insured Claims and Expense	537,322	344,476	233,979	120,704
Reestimated Net Incurred Claims and Expense:				
End of Policy Year	2,564,592	3,430,953	3,319,898	2,517,852
One Year Later	3,063,890	3,510,583	3,056,882	2,470,000
Two Years Later	2,769,356	3,066,976	2,915,145	2,416,504
Three Years Later	2,737,164	2,835,710	2,800,145	2,356,702
Four Years Later	2,621,352	2,695,711	2,570,145	2,301,723
Five Years Later	2,580,594	2,675,711	2,616,706	2,337,381
Six Years Later	2,570,594	2,709,358	2,523,518	2,382,715
Seven Years Later	2,550,593	2,680,871	2,501,706	-
Eight Years Later	2,444,652	2,668,648	-	-
Nine Years Later	2,354,658	-	-	-
Increase (Decrease) in Estimated Incurred Claims and Expense from End of Policy Year	(209,934)	(762,305)	(818,192)	(135,137)

2011	2012	2013	2014	2015	2016
$ 7,618,906	$ 7,572,018	$ 8,114,560	$ 7,402,690	$ 7,363,968	$ 7,188,261
4,280,708	4,175,550	4,517,971	3,628,701	3,414,824	3,154,944
3,338,198	3,396,468	3,596,589	3,773,989	3,949,144	4,033,317
1,094,811	933,147	1,069,180	864,042	764,802	775,440
3,560,000	2,565,000	3,980,500	3,080,000	3,138,000	3,261,943
-	-	1,060,500	-	13,000	226,943
3,560,000	2,565,000	2,920,000	3,080,000	3,125,000	3,035,000
1,296,931	760,830	838,114	868,715	822,287	1,014,406
2,553,970	1,492,163	1,385,334	2,128,843	208,840	-
3,163,562	1,971,921	1,620,601	2,733,117	-	-
3,489,042	2,144,798	1,656,031	-	-	-
3,643,478	2,168,124	-	-	-	-
3,658,553	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,518,067	323,861	1,305,861	498,215	127,500	226,943
3,560,000	2,565,000	2,920,000	3,080,000	3,125,000	3,035,000
3,895,000	2,375,000	2,310,000	3,179,644	3,400,000	-
3,832,902	2,480,112	1,952,049	3,228,438	-	-
3,968,395	2,422,279	1,779,476	-	-	-
4,000,000	2,330,035	-	-	-	-
3,908,395	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
348,395	(234,965)	(1,140,524)	148,438	275,000	-

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 Benefits 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. There were no changes in assumptions. The inflation rate assumption remained at 2.6 percent, the real payroll growth assumption remained at 0.65 percent, and the overall payroll growth rate assumption remained at 3.25 percent. The long-term expected rate of return remained at 7.65 percent.

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

Changes of Assumptions. The municipal bond rate used to determine total pension liability was decreased from 4.29 percent to 3.8 percent.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Washington County District School Board
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures	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	15002	$ 267,850.58	$ -
National School Lunch Program	10.555	15001, 15003	1,026,986.45	-
Total United States Department of Agriculture			1,294,837.03	-
United States Department of Labor:				
Indirect:				
Chipola College:				
H-1B Job Training Grants	17.268	HG 22727-12-60A-12	69,653.16	-
United States Department of Education:				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	13,406.00	-
Federal Work-Study Program	84.033	N/A	10,003.17	-
Federal Pell Grant Program	84.063	N/A	793,773.18	-
Total Student Financial Assistance Cluster			817,182.35	-
Indirect:				
Special Education Cluster:				
Special Education - Grants to States:	84.027			
Florida Department of Education		262, 263	2,792,138.95	31,791.28
University of South Florida		None	8,381.58	-
Putnam County District School Board		None	16,712.40	-
Brevard County District School Board		None	250.76	-
Total Special Education - Grants to States	84.027		2,817,483.69	31,791.28
Special Education - Preschool Grants:	84.173			
Florida Department of Education		266, 267	150,713.47	-
Total Special Education Cluster			2,968,197.16	31,791.28
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	195,514.54	-
Title I Grants to Local Educational Agencies	84.010	212, 226	1,493,204.94	-
Migrant Education State Grant Program	84.011	217	884,448.34	-
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	216	165,321.41	-
Career and Technical Education - Basic Grants to States	84.048	161	201,157.83	-
Education for Homeless Children and Youth	84.196	127	175,549.28	-
Rural Education	84.358	110	65,352.44	-
Mathematics and Science Partnerships	84.366	235	465,725.85	-
Improving Teacher Quality State Grants	84.367	224	135,305.20	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RA111, RA211, RA311, RS411	86,375.09	-
Total Indirect			6,836,152.08	31,791.28
Total United States Department of Education			7,653,334.43	31,791.28
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, COHJ2	70,703.71	34,407.16
University of South Florida:				
Temporary Assistance for Needy Families	93.558	5830-1467-01-B	394,568.13	-
Redlands Christian Migrant Association:				
Head Start	93.600	None	17,388.41	-
Chemical Addictions Recovery Effort, Inc.:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	None	27,560.37	-
Total United States Department of Health and Human Services			510,220.62	34,407.16
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	108,385.13	-
Total Expenditures of Federal Awards			$ 9,636,430.37	$ 66,198.44

The accompanying notes are an integral part of this schedule.

Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Washington County District School Board under programs of the Federal government for the fiscal year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

(2) Summary of Significant Accounting Policies. Expenditures are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.

(4) Noncash Assistance – National School Lunch Program. Includes $118,776.38 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

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, 2016, 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 23, 2017, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. 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 we reported to District management in our operational audit report No. 2017-056.

Purpose of this Report

The purpose of this report 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 communication is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 23, 2017

Sherrill F. Norman, CPA
Auditor General

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STATE OF FLORIDA

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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 THE UNIFORM GUIDANCE

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, 2016. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Awards Finding Nos. 2016-001 through 2016-004. Our opinion on the major Federal program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are included as District Response in Federal Awards Finding Nos. 2016-001 through 2016-004 and in the **CORRECTIVE ACTION PLAN**. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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 the Uniform Guidance, 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Awards Finding Nos. 2016-001 through 2016-004 that we consider to be significant deficiencies.

The District's responses to the internal control over compliance findings identified in our audit are included as District Response in Federal Awards Finding Nos. 2016-001 through 2016-004 and in the **CORRECTIVE ACTION PLAN**. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 23, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	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 Federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster
84.007, 84.033, and 84.063	Student Financial Assistance Cluster
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	No

U.S. DEPARTMENT OF EDUCATION (ED)

Finding Number	**2016-001**
CFDA Number	84.063
Program Title	Federal Pell Grant Program (Program)
Compliance Requirement	Special Tests and Provisions – Disbursements
Pass-Through Entity	Not Applicable
Federal Grant/Contract Number and Grant Year	P063152956 – 2016 P063142956 – 2015
Statistically Valid Sample	No
Finding Type	Noncompliance and Significant Deficiency
Questioned Costs	$1,197
Prior Year Finding	Not Applicable

Finding

The District did not always calculate Program awards in accordance with Federal regulations or disburse Program funds in accordance with Federal Student Aid (FSA) Handbook guidance.

Criteria

Title 34, Section 690.63(e), Code of Federal Regulations (CFR), requires that Program clock-hour payments be calculated by multiplying the student's scheduled grant by the lesser of the number of clock hours in the payment period divided by the number of clock hours in the academic year or the weeks of instructional time in the payment period divided by the weeks of instructional time in the academic year.

The FSA Handbook requires that Program payments be made to students within each payment period to best assist the students in paying their educational expenses. In addition, for clock-hour programs, the FSA Handbook requires the District to make the initial disbursement of Program funds before the 60 percent completion point of a payment period.

Condition

During the 2015-16 fiscal year, the District administered the Program at the Florida Panhandle Technical College (FPTC) for 273 students, and Program expenditures totaled $793,773. We examined District records supporting 347 disbursements totaling $220,107 to 60 selected Program students and noted that the District did not always comply with Program requirements. Specifically, the District did not make initial Program disbursements totaling $26,734 to 20 students before the 60 percent completion point of the respective payment period. Additionally:

- For 10 of the 20 students and 5 other students, the District did not disburse the student's full award within the student's payment period. Payments totaling $18,271 were disbursed 1 day to 28 days after completion of the 15 students' payment periods.
- For 4 of the 20 students and 2 other students, the District did not calculate the disbursements based on the number of instructional weeks completed by the student in the payment period. As a result, the District over awarded the 6 students a total of $1,043, which represents questioned costs subject to disallowance by the grantor.
- For 1 of the 20 students, the District calculated the student's payment period award based on the hours left in the payment period as of the date of the student's approved 2015-16 school year Institutional Student Information Record and not based on the actual hours in the payment

period. As a result, the student was under awarded $327 for the payment period.

- For 1 other student, the District disbursed more than the amount the student earned for the payment period, resulting in questioned costs of $154 subject to disallowance by the grantor.

Cause In response to our inquiry, District personnel indicated that, due to personnel changes in financial aid staff at FPTC, some errors occurred as less experienced staff were unfamiliar with all Program requirements. Also, the untimely disbursements were due to errors in verifying the students' dates of attendance.

Effect Without procedures to ensure accurate and timely Program payment calculations and related payments, there is an increased risk of improper or late payments and that students may be unable to pay educational expenses. Disbursements totaling $1,197 represent questioned costs subject to disallowance by the grantor.

Recommendation The District should enhance procedures to ensure Program disbursements are accurately calculated based on student attendance dates and disbursed in accordance with FSA Handbook guidance. In addition, the District should provide documentation to the grantor (ED) supporting the allowability of the questioned costs totaling $1,197 or restore this amount to the Program.

District Response The District will enhance procedures and train staff to ensure Program disbursements are accurately calculated based on student attendance dates and disbursed in accordance with FSA Handbook guidance. The District has been in contact with the grantor and the questioned costs will be returned to the grantor in March 2017.

U.S. DEPARTMENT OF EDUCATION

Finding Number	**2016-002**
CFDA Number	84.063
Program Title	Federal Pell Grant Program (Program)
Compliance Requirement	Special Tests and Provisions – Verification
Pass-Through Entity	Not Applicable
Federal Grant/Contract Number and Grant Year	P063152956 – 2016
Statistically Valid Sample	No
Finding Type	Noncompliance and Significant Deficiency
Questioned Costs	$9,870
Prior Year Finding	Not Applicable

Finding The District did not always ensure that student applications and other information were properly updated with information obtained by the required verification process or that awards were properly recalculated based on the verified information. As such, Program awards, totaling $9,870, to two students represent questioned costs subject to disallowance by the grantor.

Criteria Title 34, Sections 668.51 through 668.61, CFR, require applicants whose Free Application for Federal Student Aid (application) is selected by the ED for verification to provide to the District certain documentation used in determining the applicant's expected family contribution (EFC). The documentation required for verification depends on the verification group identified on the student's Institutional Student Information Record (ISIR).

The standard verification group (V1) requires verification of, for example, parental income, household size, and number of family members attending postsecondary educational institutions. The District uses a verification form to document verification of the student information. For changes identified by the verification process, the application and the ISIR must be properly updated with corrected information and the student's award must be recalculated based on the EFC included on the updated ISIR.

Condition

From the population of 60 selected Program recipients tested for eligibility, we requested for examination the applications of the 36 students who were selected by ED for verification. However, although we requested, District records were not initially provided to document resolution of the discrepancies noted in the V1 verification process before Program disbursements to 3 students. Specifically:

- For 1 student awarded $2,725 in Program funds, supporting documentation was not obtained for reported parental income until after our inquiry in January 2017.
- For another student awarded Program funds totaling $5,057, the household size reported by the student on the verification form did not agree with what was reported on the student's ISIR. Although we requested, District records were not provided to evidence any efforts to update the application and ISIR for the household size reported on the verification form or any recalculations of the student's award.
- For a third student awarded Program funds totaling $4,813, the number of family members in the student's household who were attending postsecondary educational institutions reported by the student on the verification worksheet did not agree with what was reported on the ISIR. Although we requested, District records were not provided to evidence any efforts to update the application and ISIR for the number of family members attending postsecondary educational institutions reported on the verification form or any recalculations of the student's award.

Cause

In response to our inquiry, District personnel indicated that, due to personnel changes in financial aid staff at FPTC, District personnel did not always update applications and ISIRs based on information obtained during the verification process or recalculate student awards based on the verified information.

Effect

Absent appropriate updates to the student applications and ISIRs based on the verification process, student award amounts may be incorrect. Because 2 students' applications and ISIRs were not updated based on the verification process, Program awards totaling $9,870 made to the students represent questioned costs subject to disallowance by the grantor.

Recommendation

The District should enhance procedures to ensure that student applications and ISIRs are properly updated with information obtained by the verification process and that awards are properly recalculated based on the verified information. Also, the District should provide documentation to the grantor (ED) supporting the allowability of the $9,870 questioned costs or restore this amount to the Program.

District Response

The District will enhance procedures and train staff to ensure that student applications and ISIRs are properly updated with information obtained by the verification process and that awards are properly recalculated based on the verified information. The District has been in contact with the grantor and the questioned costs will be restored to the Program in March 2017.

U.S. DEPARTMENT OF EDUCATION

Finding Number	**2016-003**
CFDA Number	84.063
Program Title	Federal Pell Grant Program (Program)
Compliance Requirement	Special Tests and Provisions – Return of Title IV Funds
Pass-Through Entity	Not Applicable
Federal Grant/Contract Number and Grant Year	P063152956 – 2016 P063142956 – 2015
Statistically Valid Sample	No
Finding Type	Noncompliance and Significant Deficiency
Questioned Costs	$303
Prior Year Finding	Not Applicable

Finding

The District did not always accurately calculate the post withdrawal disbursement of Program funds.

Criteria

Title 34, Section 668.22, CFR, requires the District to determine the amount of Program funds students had earned as of the student's withdrawal date. According to the Federal Student Aid Handbook, the post withdrawal disbursement calculation must be performed for each Program student who began attendance and withdrew before course completion to determine whether additional aid is due the student or the extent, if any, that funding must be returned to the ED.

Condition

From the population of 60 selected Program recipients included in our test of disbursements, we examined District records supporting 21 disbursement calculations, totaling $14,005, for 20 Program recipients who withdrew during the 2015-16 fiscal year. Our examination disclosed that the District did not always accurately calculate the amount of Program funds earned as of the student's withdrawal date. Specifically:

- For 2 students who received a post withdrawal disbursement, the District disbursed more to the students than was due, resulting in questioned costs of $303 subject to disallowance by the grantor.
- For 4 other students who also received a post withdrawal disbursement, the District disbursed a total of $1,828 less to the students than was due. While this does not result in questioned costs subject to disallowance by the grantor, it is indicative of deficiencies in procedures relating to the return of Program funds.

Cause

In response to our inquiry, District personnel indicated that, due to personnel changes in financial aid staff at FPTC, return calculations were not always accurate and District procedures requiring a second financial aid department employee to review the post withdrawal disbursement calculations prior to Program disbursements were not always followed.

Effect

Absent the accurate calculation of Program funds earned by students at their withdrawal dates, and procedures to ensure the accuracy of those calculations, improper disbursements may be made to students.

Recommendation

The District should enhance procedures to ensure the accurate calculation of post withdrawal disbursements to students. In addition, the District should provide documentation to the grantor (ED) supporting the allowability of the questioned costs, totaling $303, or restore this amount to the Program.

District Response

The District will enhance procedures to ensure the accurate calculation of post withdrawal disbursements to students. The District has contacted the grantor and the questioned costs will be restored to the Program in March 2017.

U.S. DEPARTMENT OF EDUCATION

Finding Number	**2016-004**
CFDA Number	84.063
Program Title	Federal Pell Grant Program (Program)
Compliance Requirement	Special Tests and Provisions – Enrollment Reporting – National Student Loan Data System (NSLDS)
Pass-Through Entity	Not Applicable
Federal Grant/Contract Number and Grant Year	P063152956 – 2016 P063142956 – 2015
Statistically Valid Sample	No
Finding Type	Noncompliance and Significant Deficiency
Questioned Costs	Not Applicable
Prior Year Finding	Not Applicable

Finding

The District did not always accurately and timely report Program enrollment data.

Criteria

Title 34, Section 685.309(b)(2), CFR, requires institutions to submit reports in accordance with deadlines established by the ED. The ED Dear Colleague Letter GEN 14-07 provides that enrollment information will be requested from schools every 60 days and schools will be required to respond to those requests using the National Student Loan Data System (NSLDS) within 15 days of the date that the ED sends the electronic enrollment reporting roster to the school or to the school's designated third-party servicer.

Condition

From the population of 273 students who received Program funds, we examined records related to 60 selected Program students to determine whether the District accurately and timely reported enrollment changes using the NSLDS. Our examination disclosed that the District:

- Had not reported as of January 2017:
  - The enrollment for 12 students.
  - One student who withdrew May 25, 2016.
  - Another student who withdrew on July 1, 2015, and did not reenroll with the District until August 24, 2015.
- Reported enrollment dates for 2 other students that were 23 to 82 days later than the students' actual enrollment dates.

Cause

District financial aid personnel were unaware of the NSLDS reporting requirements. Additionally, the District lacked adequate procedures to ensure accurate and timely reporting.

Effect

When the NSLDS is not timely provided with accurate information, the NSLDS cannot be used to monitor and effectively evaluate the enrollment status of Program grant recipients.

Recommendation

The District should enhance procedures to ensure that enrollment status changes for Program grant recipients are accurately and timely reported using the NSLDS.

District Response

The District will establish procedures to ensure enrollment data is accurately and timely reported using the NSLDS.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for the Federal awards finding included in our report No. 2016-122.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Listed below is the District's summary of the status of prior audit findings required to be reported under 2 CFR 200.511:

Audit Report No. (Finding No.)	Program/Area	Brief Description	Status	Comments
2015-143 (2014-001) 2016-122 (2015-001)	Title I Grants to Local Educational Agencies (CFDA No. 84.010)	Title I Schoolwide Program resources were not properly allocated to schools, resulting in questioned costs of $17,265.38 and $407,527.89 for the 2013-14 and 2014-15 fiscal years, respectively.	Partially Corrected.	The deficiencies have been corrected; however, resolution of the questioned costs is pending from the grantor.

Washington County District School Board
Management's Corrective Action Plan
For the Fiscal Year Ended June 30, 2016

Finding Number	**2016-001**
Planned Corrective Action	February 2017
Anticipated Completion Date	March 31, 2017, and Ongoing
Responsible Contact Persons	Martha Compton – Florida Panhandle Technical College Director Shirley Thompson – Student Affairs Manager
Finding	The District did not always calculate Program awards in accordance with Federal regulations or disburse Program funds in accordance with Federal Student Aid (FSA) Handbook guidance.
Response	Due to personnel changes in financial aid staff at FPTC, some errors occurred as less experienced staff were unfamiliar with all Program requirements and procedures. The untimely disbursements were due to errors in verifying the students' dates of attendance.
Recommendation	The District should enhance procedures to ensure Program disbursements are accurately calculated based on student attendance dates and disbursed in accordance with FSA Handbook guidance. In addition, the District should provide documentation to the grantor (ED) supporting the allowability of the questioned costs totaling $1,197 or restore this amount to the Program.
Corrective Action Plan	The financial aid staff members have been re-trained on the Federal regulations and procedures that were in place to govern the calculation and disbursement of Pell awards. Procedures have been enhanced and updated. A review of all active and inactive files from the 15-16 and 16-17 award years is being conducted to ensure accuracy. The attendance procedures and forms have been updated to minimize the number of days that attendance can be updated by instructors. Financial aid staff members have also been trained on procedures for verifying if attendance updates were made. The District has been in contact with the grantor and the questioned costs will be returned to the grantor in March 2017.

Finding Number	**2016-002**
Planned Corrective Action	February 2017
Anticipated Completion Date	March 31, 2017, and Ongoing
Responsible Contact Persons	Martha Compton – Florida Panhandle Technical College Director Shirley Thompson – Student Affairs Manager
Finding	The District did not always ensure that student applications and other information were properly updated with information obtained by the required verification process or that awards were properly recalculated based on the verified information. As such, Program awards, totaling $9,870, to two students represent questioned costs subject to disallowance by the grantor.
Response	Due to personnel changes in financial aid staff at FPTC, District personnel did not update ISIRs based on information obtained during the verification process or recalculate student awards based on the verified information. After further review, the EFC of the two students in question did not change. The district was unable to correct the ISIR due to time limits on the award year. Documentations are in place to support zero change in the award for both students. The District determined the EFC did not change. One student had an automatic zero EFC calculation based on the student was receiving federal benefits from the SNAP program and the student's combined income was less than $25,000. District recalculated the second student's EFC using the corrected number of members in the household attending postsecondary institutions and the EFC remained unchanged. Therefore the amounts awarded to the students' would not change.
Recommendation	The District should enhance procedures to ensure that student applications and ISIRs are properly updated with information obtained by the verification process and that awards are properly recalculated based on the verified information. Also, the District should provide documentation to the grantor (ED) supporting the allowability of the $9,870 questioned costs or restore this amount to the Program.
Corrective Action Plan	The financial aid staff members have been re-trained on the Federal regulations and procedures that were in place to verify ISIR information. Training emphasized that all students would have adequate income documentation such as a tax transcript in the file, verifying the ISIR information, before eligibility was determined. Procedures have been enhanced and updated. A review of all active files is being conducted to assure ISIR accuracy. Procedures for documenting automatic EFC calculations were also addressed in the training. The District has updated its procedures to include an annual review of active files, by the Student Affairs Manager. The 2 student awards resulting in questioned cost were recalculated and determined to be unchanged.

Finding Number 2016-003

Planned Corrective Action February 2017

Anticipated Completion Date March 31, 2017, and Ongoing

Responsible Contact Persons Martha Compton – Florida Panhandle Technical College Director
Shirley Thompson – Student Affairs Manager

Finding The District did not always accurately calculate the post withdrawal disbursement of Program funds.

Response District personnel indicated that, due to personnel changes in financial aid staff at FPTC, some errors occurred as less experienced staff were unfamiliar with all Program requirements. District procedures requiring a second financial aid department employee to review the post withdrawal disbursement calculations prior to Program disbursements were not always followed, due to a vacancy.

Recommendation The District should enhance procedures to ensure the accurate calculation of post withdrawal disbursements to students. In addition, the District should provide documentation to the grantor (ED) supporting the allowability of the questioned costs, totaling $303, or restore this amount to the Program.

Corrective Action Plan The financial aid staff members have been re-trained on the Federal regulations and procedures that were in place to govern the post withdrawal calculations. Procedures have been enhanced and updated. A review of all current award year files will be conducted by FPTC administration to ensure accuracy of all post withdrawal calculation forms. A checks and balance procedure has been implemented, as of 3/1/2017, where the Student Affairs Manager must approve all post withdrawal calculations.

The District has been in contact with the grantor and is working toward resolution of the questioned costs.

Finding Number 2016-004

Planned Corrective Action February 2017

Anticipated Completion Date March 31, 2017, and Ongoing

Responsible Contact Persons Martha Compton – Florida Panhandle Technical College Director
Shirley Thompson – Student Affairs Manager

Finding The District did not always accurately and timely report Program enrollment data.

Response District financial aid personnel were unaware of the NSLDS reporting requirements. Additionally, the District lacked adequate procedures to ensure accurate and timely reporting.

Recommendation The District should enhance procedures to ensure that enrollment status changes for Program grant recipients are accurately and timely reported using the NSLDS.

Corrective Action Plan The financial aid staff members have been re-trained on the Federal regulations, which included a review of the NSLDS Reporting Guide, and procedures that were in place to govern the NSLDS reporting process. Procedures have been enhanced and updated.