REPORT NO. 2012-148
MARCH 2012

WAKULLA COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2011

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2010-11 fiscal year are listed below:

	District No.
Ray E. Gray, Jr., Vice Chair from 11-17-10	1
Michael A. Scott, Vice Chair to 11-16-10, Chair from 11-17-10	2
Rebecca S. Cook, Chair to 11-16-10	3
Gregory M. Thomas	4
Jerry S. Evans	5

David Miller, Superintendent

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

The audit team leader was Nicole E. Cope, and the audit was supervised by Cheryl B. Pueschel, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a significant deficiency, as summarized below. However, this significant deficiency is not considered to be a material weakness.

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

SIGNIFICANT DEFICIENCY

Finding No. 1: District procedures for identifying major funds on the financial statements could be improved.

ADDITIONAL MATTERS

Finding No. 2: District records did not sufficiently evidence that performance assessments of instructional personnel and school administrators were based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes (2010).

Finding No. 3: The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010), and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes (2010).

Finding No. 4: The District made compensation payments to speech language pathologists, occupational therapists, and physical therapists that were not consistent with the Board-approved salary schedule, resulting in net overpayments totaling $159,355.

Finding No. 5: The District needed to enhance its monitoring of overtime payments.

Finding No. 6: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding No. 7: The District's information technology (IT) disaster recovery plan lacked key disaster recovery control elements and had not been tested.

Finding No. 8: The District's IT security incident response plan lacked certain procedures.

Finding No. 9: The District's IT security controls related to user authentication and data loss prevention needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster; State Fiscal Stabilization Fund Cluster; and Education Jobs Fund programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

Audit Objectives and Scope

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

- **Presented the District's basic financial statements in accordance with generally accepted accounting principles;**

- **Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;**
- **Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;**
- **Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and**
- **Taken corrective actions for findings included in our report No. 2011-146.**

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2011. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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

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 FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Wakulla County District School Board, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 45 percent of the assets and 98 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of Wakulla's Charter School of Arts, Science and Technology, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Wakulla County District School Board as of June 30, 2011, and the respective changes in financial position

and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

David W. Martin, CPA
March 16, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Wakulla County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2011. 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 on pages 9 through 41.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-11 fiscal year are as follows:

- In total, net assets increased $1,829,000.41, which represents a 2.3 percent increase over the 2009-10 fiscal year.
- During the current fiscal year, General Fund expenditures exceeded revenues by $161,988.66. This may be compared to last fiscal year's results in which General Fund revenues exceeded expenditures by $852,497.25.
- The unassigned and assigned fund balances for the General Fund, representing the net current financial resources available for general appropriation by the Board, total $4,292,482.80, or 12.4 percent of total General Fund expenditures. This represents a 9.8 percent increase over the previous fiscal year's unreserved fund balance of $3,909,988.96.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

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

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type activities of the District presented on the accrual basis of accounting. The statement of net assets provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the District's financial health. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Business-type activities – As fiscal agent of the Small School District Council Consortium, the District charges fees to cover the costs of certain services it provides.

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

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

Fund Financial Statements

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

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

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

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for the activities of the Small School District Council Consortium, for which the District is fiscal agent.

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2011, compared to net assets as of June 30, 2010:

Net Assets, End of Year

	Governmental Activities		Business-Type Activities		Total	
	6-30-11	6-30-10	6-30-11	6-30-10	6-30-11	6-30-10
Current and Other Assets	$ 9,454,644.37	$ 8,968,483.43	$ 37,879.30	$ 32,655.29	$ 9,492,523.67	$ 9,001,138.72
Capital Assets	78,073,855.83	78,569,020.71			78,073,855.83	78,569,020.71
Total Assets	87,528,500.20	87,537,504.14	37,879.30	32,655.29	87,566,379.50	87,570,159.43
Long-Term Liabilities	7,425,996.79	8,615,992.93			7,425,996.79	8,615,992.93
Other Liabilities	338,068.55	986,695.25	6,000.00	157.50	344,068.55	986,852.75
Total Liabilities	7,764,065.34	9,602,688.18	6,000.00	157.50	7,770,065.34	9,602,845.68
Net Assets:						
Invested in Capital Assets - Net of Related Debt	74,933,855.83	74,161,598.79			74,933,855.83	74,161,598.79
Restricted	2,581,965.52	3,642,118.65			2,581,965.52	3,642,118.65
Unrestricted	2,248,613.51	131,098.52	31,879.30	32,497.79	2,280,492.81	163,596.31
Total Net Assets	$ 79,764,434.86	$ 77,934,815.96	$ 31,879.30	$ 32,497.79	$ 79,796,314.16	$ 77,967,313.75

Net assets increased by approximately $1.8 million, or 2.3 percent. Below is a comparison of current and prior fiscal year governmental activities operating results, which discloses the differences in revenue and expenses and the increase in net assets.

The largest portion of the District's net assets (93.9 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets (3.3 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (2.8 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2011, and June 30, 2010, are as follows:

	Operating Results for the Fiscal Year Ended					
	Governmental Activities		Business-Type Activities		Total	
	6-30-11	6-30-10	6-30-11	6-30-10	6-30-11	6-30-10
Program Revenues:						
Charges for Services	$ 774,478.52	$ 824,460.06	$ 105,450.00	$ 105,450.00	$ 879,928.52	$ 929,910.06
Operating Grants and Contributions	3,497,558.29	1,509,273.73			3,497,558.29	1,509,273.73
Capital Grants and Contributions	201,304.50	487,770.35			201,304.50	487,770.35
General Revenues:						
Property Taxes, Levied for Operational Purposes	8,515,105.61	9,365,758.33			8,515,105.61	9,365,758.33
Property Taxes Levied for Debt Service	645,870.07	666,889.36			645,870.07	666,889.36
Property Taxes, Levied for Capital Projects	1,945,643.05	2,212,948.04			1,945,643.05	2,212,948.04
Grants and Contributions Not Restricted to Specific Programs	29,707,935.92	30,398,098.91			29,707,935.92	30,398,098.91
Unrestricted Investment Earnings	63,245.44	77,640.43			63,245.44	77,640.43
Miscellaneous	352,320.14	442,815.31			352,320.14	442,815.31
Total Revenues	45,703,461.54	45,985,654.52	105,450.00	105,450.00	45,808,911.54	46,091,104.52
Functions/Program Expenses:						
Instruction	23,083,228.48	22,821,744.67			23,083,228.48	22,821,744.67
Pupil Personnel Services	2,034,093.60	2,179,680.97			2,034,093.60	2,179,680.97
Instructional Media Services	521,123.32	547,452.89			521,123.32	547,452.89
Instruction and Curriculum Development Services	945,269.24	1,426,870.77			945,269.24	1,426,870.77
Instructional Staff Training Services	425,857.54	190,009.61			425,857.54	190,009.61
Instruction Related Technology	330,634.02	370,412.65			330,634.02	370,412.65
School Board	512,130.47	533,392.88			512,130.47	533,392.88
General Administration	513,988.18	561,365.55			513,988.18	561,365.55
School Administration	2,181,855.42	1,890,185.57			2,181,855.42	1,890,185.57
Facilities Acquisition and Construction	131,246.50	201,735.67			131,246.50	201,735.67
Fiscal Services	390,144.77	417,093.81			390,144.77	417,093.81
Food Services	2,034,785.23	2,032,034.04			2,034,785.23	2,032,034.04
Central Services	628,801.39	618,821.61			628,801.39	618,821.61
Pupil Transportation Services	2,776,813.65	2,628,756.41			2,776,813.65	2,628,756.41
Operation of Plant	4,238,118.58	4,228,947.29			4,238,118.58	4,228,947.29
Maintenance of Plant	1,050,467.91	1,082,140.74			1,050,467.91	1,082,140.74
Administrative Technology Services	63,029.31	31,412.26			63,029.31	31,412.26
Community Services	6,272.54	6,355.50			6,272.54	6,355.50
Unallocated Interest on Long-Term Debt	159,083.74	174,419.28			159,083.74	174,419.28
Unallocated Depreciation Expense	1,846,898.75	1,839,092.27			1,846,898.75	1,839,092.27
Small School District Council Consortium			106,068.49	96,714.01	106,068.49	96,714.01
Total Functions/Program Expenses	43,873,842.64	43,781,924.44	106,068.49	96,714.01	43,979,911.13	43,878,638.45
Increase (Decrease) in Net Assets	$ 1,829,618.90	$ 2,203,730.08	$ (618.49)	$ 8,735.99	$ 1,829,000.41	$ 2,212,466.07

The largest revenue source is the State of Florida. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. There was a decrease in the base student allocation (BSA) and district cost differential (DCD). Compared to the previous fiscal year, the BSA multiplied by the DCD decreased by 0.4 percent per full-time equivalent student, from $3,393.54 to $3,380.24. In addition, the District's unweighted student enrollment decreased by 62 students from the 2009-10 fiscal year, for a total of 5,123 students. Overall, State revenues totaled $25,856,326.11, representing an increase of $174,351.38 over the previous fiscal year.

Net assets for the business-type activities are for the Small School District Council Consortium and totaled $31,879.30 at June 30, 2011, representing a decrease of $618.49 from the previous fiscal year. The decrease in net assets for the business-type activities resulted primarily from increased costs of the Consortium's consulting firm.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the District's chief operating fund. For the current fiscal year, 75.7 percent of revenues and 77.9 percent of expenditures of the governmental funds were accounted for in the General Fund. During the fiscal year, the total fund balance increased by $156,200.08 to $5,368,446.29. The unassigned and assigned fund balances of the General Fund are an important indicator of the District's financial condition. Through fiscal prudence, the District attempts to maintain an unassigned plus assigned fund balance of at least 5 percent of General Fund revenues for any given fiscal year. At the end of the current fiscal year, unassigned plus assigned fund balance is $4,292,482.80, or 12.4 percent of General Fund revenues totaling $34,582,939.55. The unassigned plus assigned fund balance increased $382,493.84 from the unreserved fund balance of $3,909,988.96 in the previous fiscal year.

The Special Revenue – Other Fund is used to account for certain Federal grant program resources. The Special Revenue – Federal Economic Stimulus Fund is used to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA) and Education Jobs Fund grant. Because revenue is recognized to the extent that eligible expenditures have been incurred for these Federal grant program resources, these funds do not maintain a fund balance.

The Debt Service – Other Fund, established to account for repayments to the Florida Special Facilities Trust Fund, does not maintain a fund balance because amounts due from capital outlay funds accounted for in this fund are due to the Florida Department of Education as of June 30, 2011.

The Capital Projects – Local Capital Improvement Fund and the Capital Projects – Other Fund have total fund balances of $1,240,037.05 and $2,063,151.61, respectively. Fund balances for these funds are restricted or assigned for the acquisition, construction, and maintenance of capital assets. It should be noted that $257,229 and $775,290 of the respective fund balances has been encumbered for specific projects. The fund balances increased in the current fiscal year mainly to fund future projects. The Capital Projects – ARRA Economic Stimulus Fund does not have a fund balance because revenue is recognized to the extent that eligible expenditures have been incurred for these Federal grant program resources.

Proprietary Fund

The only proprietary fund for the District is the Small School District Council Consortium Enterprise Fund, which reported unrestricted net assets of $31,879.30 at June 30, 2011, representing a decrease of 1.9 percent from the previous fiscal year. This decrease occurred primarily because of increased costs of the Consortium's consulting firm.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2010-11 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues amounting to $285,610.22, and an increase in final appropriations of $657,219.78 from the original budgeted amounts. Budget revisions were due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues are in line with the final budgeted amounts while actual expenditures are $2,535,980.11, or 6.8 percent, less than final budget amounts. The decrease in expenditures was mainly because instruction and school administration expenditures were less than planned. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $2,867,495.48.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2011, amounts to $78,073,855.83 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and computer software.

Major capital asset events during the current fiscal year included construction in progress for vehicle and drainage infrastructure improvements at Wakulla Educational Center and a heating, ventilation, and air-conditioning (HVAC) renovation project at Wakulla Middle School.

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

Long-Term Debt

At June 30, 2011, the District has total long-term debt outstanding of $3,140,000, which is comprised of bonds payable. During the current fiscal year, retirement of debt amounted to $620,000. Additional information on the District's long-term debt can be found in Notes 5 and 6 to the financial statements.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	$ 8,767,244.27	$ 37,879.30	$ 8,805,123.57	$ 170,709.00
Investments	125,449.24		125,449.24	
Due from Other Agencies	300,738.02		300,738.02	1,496.00
Prepaid Items				9,383.00
Inventories	261,212.84		261,212.84	
Capital Assets:				
Nondepreciable Capital Assets	3,881,788.94		3,881,788.94	
Depreciable Capital Assets, Net	74,192,066.89		74,192,066.89	413,359.00
TOTAL ASSETS	$ 87,528,500.20	$ 37,879.30	$ 87,566,379.50	$ 594,947.00
LIABILITIES				
Salaries and Benefits Payable	$ 5,973.29	$	$ 5,973.29	$
Payroll Deductions and Withholdings	8,617.76		8,617.76	
Accounts Payable	96,279.21	6,000.00	102,279.21	4,054.00
Construction Contracts Payable	13,443.89		13,443.89	
Construction Contracts Payable - Retainage	1,478.95		1,478.95	
Due to Other Agencies	184,532.37		184,532.37	
Accrued Interest Payable	27,743.08		27,743.08	
Long-Term Liabilities:				
Portion Due Within One Year	813,252.51		813,252.51	15,534.00
Portion Due After One Year	6,612,744.28		6,612,744.28	158,647.00
Total Liabilities	7,764,065.34	6,000.00	7,770,065.34	178,235.00
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	74,933,855.83		74,933,855.83	239,178.00
Restricted for:				
State Required Carryover Programs	847,257.11		847,257.11	
Debt Service	28,691.61		28,691.61	
Capital Projects	1,356,677.15		1,356,677.15	38,278.00
Food Service	349,339.65		349,339.65	5,003.00
Unrestricted	2,248,613.51	31,879.30	2,280,492.81	134,253.00
Total Net Assets	79,764,434.86	31,879.30	79,796,314.16	416,712.00
TOTAL LIABILITIES AND NET ASSETS	$ 87,528,500.20	$ 37,879.30	$ 87,566,379.50	$ 594,947.00

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	$ 23,083,228.48	$ 34,790.35	$	$
Pupil Personnel Services	2,034,093.60			
Instructional Media Services	521,123.32			
Instruction and Curriculum Development Services	945,269.24			
Instructional Staff Training Services	425,857.54			
Instruction Related Technology	330,634.02			
School Board	512,130.47			
General Administration	513,988.18			
School Administration	2,181,855.42			
Facilities Acquisition and Construction	131,246.50			69,969.46
Fiscal Services	390,144.77			
Food Services	2,034,785.23	739,688.17	1,286,127.29	
Central Services	628,801.39			
Pupil Transportation Services	2,776,813.65		1,914,465.00	
Operation of Plant	4,238,118.58			
Maintenance of Plant	1,050,467.91		296,966.00	
Administrative Technology Services	63,029.31			
Community Services	6,272.54			
Unallocated Interest on Long-Term Debt	159,083.74			131,335.04
Unallocated Depreciation Expense*	1,846,898.75			
Total Governmental Activities	43,873,842.64	774,478.52	3,497,558.29	201,304.50
Business-Type Activities:				
Small School District Council Consortium	106,068.49	105,450.00		
Total Business-Type Activities	106,068.49	105,450.00		
Total Primary Government	$ 43,979,911.13	$ 879,928.52	$ 3,497,558.29	$ 201,304.50
Component Unit				
Wakulla's Charter School of Arts, Science and Technology, Inc.	$ 1,096,252.00	$ 13,817.00	$ 259,343.00	$ 51,997.00

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

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

* This amount excludes the depreciation that is included in the direct expenses of the various functions.

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	
$ (23,048,438.13)	$	$ (23,048,438.13)	$
(2,034,093.60)		(2,034,093.60)	
(521,123.32)		(521,123.32)	
(945,269.24)		(945,269.24)	
(425,857.54)		(425,857.54)	
(330,634.02)		(330,634.02)	
(512,130.47)		(512,130.47)	
(513,988.18)		(513,988.18)	
(2,181,855.42)		(2,181,855.42)	
(61,277.04)		(61,277.04)	
(390,144.77)		(390,144.77)	
(8,969.77)		(8,969.77)	
(628,801.39)		(628,801.39)	
(862,348.65)		(862,348.65)	
(4,238,118.58)		(4,238,118.58)	
(753,501.91)		(753,501.91)	
(63,029.31)		(63,029.31)	
(6,272.54)		(6,272.54)	
(27,748.70)		(27,748.70)	
(1,846,898.75)		(1,846,898.75)	
(39,400,501.33)		(39,400,501.33)	
	(618.49)	(618.49)	
(39,400,501.33)	(618.49)	(39,401,119.82)	
			(771,095.00)
8,515,105.61		8,515,105.61	
645,870.07		645,870.07	
1,945,643.05		1,945,643.05	
29,707,935.92		29,707,935.92	795,874.00
63,245.44		63,245.44	590.00
352,320.14		352,320.14	
41,230,120.23		41,230,120.23	796,464.00
1,829,618.90	(618.49)	1,829,000.41	25,369.00
77,934,815.96	32,497.79	77,967,313.75	391,343.00
$ 79,764,434.86	$ 31,879.30	$ 79,796,314.16	$ 416,712.00

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service - Other Fund
ASSETS				
Cash and Cash Equivalents	$ 5,022,122.05	$ 987.24	$ 240.73	$
Investments	52,605.46			
Due from Other Funds	55,408.27			184,532.37
Due from Other Agencies	146,426.41	70,799.82	7,531.46	
Inventories	176,100.92			
TOTAL ASSETS	$ 5,452,663.11	$ 71,787.06	$ 7,772.19	$ 184,532.37
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and Benefits Payable	$	$ 5,973.29	$	$
Payroll Deductions and Withholdings	7,510.31	327.15	77.95	
Accounts Payable	76,706.51	16,678.11	1,129.44	
Construction Contracts Payable				
Construction Contracts Payable - Retainage				
Due to Other Funds		48,808.51	6,564.80	
Due to Other Agencies				184,532.37
Total Liabilities	84,216.82	71,787.06	7,772.19	184,532.37
Fund Balances:				
Nonspendable:				
Inventory	176,100.92			
Investments Not in Spendable Form	52,605.46			
Total Nonspendable Fund Balance	228,706.38			
Restricted for:				
State Required Carryover Programs	847,257.11			
Debt Service				
Capital Projects				
Food Service				
Total Restricted Fund Balance	847,257.11			
Assigned to:				
Capital Projects				
School Operations	707,946.12			
Total Assigned Fund Balance	707,946.12			
Unassigned Fund Balance	3,584,536.68			
Total Fund Balances	5,368,446.29			
TOTAL LIABILITIES AND FUND BALANCES	$ 5,452,663.11	$ 71,787.06	$ 7,772.19	$ 184,532.37

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Capital Projects - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
$ 1,422,612.23	$ 1,963,606.08	$	$ 357,675.94	$ 8,767,244.27
	49,730.49		23,113.29	125,449.24
				239,940.64
1,957.19	64,737.88		9,285.26	300,738.02
			85,111.92	261,212.84
$ 1,424,569.42	$ 2,078,074.45	$ 0.00	$ 475,186.41	$ 9,694,585.01
$	$	$	$	$ 5,973.29
			702.35	8,617.76
			1,765.15	96,279.21
	13,443.89			13,443.89
	1,478.95			1,478.95
184,532.37			34.96	239,940.64
				184,532.37
184,532.37	14,922.84		2,502.46	550,266.11
			85,111.92	261,212.84
	49,730.49		977.78	103,313.73
	49,730.49		86,089.70	364,526.57
				847,257.11
			55,456.91	55,456.91
1,240,037.05			66,909.61	1,306,946.66
			264,227.73	264,227.73
1,240,037.05			386,594.25	2,473,888.41
	2,013,421.12			2,013,421.12
				707,946.12
	2,013,421.12			2,721,367.24
				3,584,536.68
1,240,037.05	2,063,151.61		472,683.95	9,144,318.90
$ 1,424,569.42	$ 2,078,074.45	$ 0.00	$ 475,186.41	$ 9,694,585.01

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total Fund Balances - Governmental Funds		$ 9,144,318.90
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		78,073,855.83
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.		(27,743.08)
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	$ 3,140,000.00	
Other Postemployment Benefits Payable	1,770,457.00	
Compensated Absences Payable	2,515,539.79	(7,425,996.79)
Total Net Assets - Governmental Activities		$ 79,764,434.86

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

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WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service - Other Fund
Revenues				
Intergovernmental:				
Federal Direct	$ 84,655.21	$	$	$
Federal Through State and Local	560,014.97	2,202,645.16	3,430,558.97	
State	25,009,145.97			
Local:				
Property Taxes	8,515,105.61			
Charges for Services - Food Service				
Miscellaneous	414,017.79			
Total Revenues	34,582,939.55	2,202,645.16	3,430,558.97	
Expenditures				
Current - Education:				
Instruction	19,182,830.15	1,427,872.95	2,443,620.73	
Pupil Personnel Services	1,659,337.73	271,536.98	89,695.46	
Instructional Media Services	465,749.89		50,107.47	
Instruction and Curriculum Development Services	795,116.86	145,864.68	135,206.90	
Instructional Staff Training Services	182,593.13	125,194.57	97,310.47	
Instruction Related Technology	326,717.14			
School Board	511,334.09			
General Administration	423,341.11	62,639.44	21,743.04	
School Administration	1,553,774.41		520,173.70	
Facilities Acquisition and Construction	96,837.54			
Fiscal Services	376,890.18			
Food Services	53,778.99			
Central Services	606,798.98	3,689.87	2,544.65	
Pupil Transportation Services	2,588,651.90	14,539.09		
Operation of Plant	4,252,018.09			
Maintenance of Plant	1,047,481.13			
Administrative Technology Services	62,951.57			
Community Services	6,238.70			
Fixed Capital Outlay:				
Facilities Acquisition and Construction	84,114.20			
Other Capital Outlay	468,372.42	151,307.58	70,156.55	
Debt Service:				
Principal				656,744.48
Interest and Fiscal Charges				
Total Expenditures	34,744,928.21	2,202,645.16	3,430,558.97	656,744.48
Excess (Deficiency) of Revenues Over Expenditures	(161,988.66)			(656,744.48)
Other Financing Sources (Uses)				
Transfers In	297,004.75			656,744.48
Insurance Loss Recoveries	21,183.99			
Transfers Out				
Total Other Financing Sources (Uses)	318,188.74			656,744.48
Net Change in Fund Balances	156,200.08			
Fund Balances, Beginning	5,194,393.18			
Increase to Inventory Reserve	17,853.03			
Fund Balances, Ending	$ 5,368,446.29	$ 0.00	$ 0.00	$ 0.00

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Capital Projects - ARRA Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
$	$	$	$	$ 84,655.21
		11,545.00	1,261,053.29	7,465,817.39
	378,816.80		468,363.34	25,856,326.11
1,954,965.61			645,870.07	11,115,941.29
			739,688.17	739,688.17
3,293.91	17,595.02		5,313.22	440,219.94
1,958,259.52	396,411.82	11,545.00	3,120,288.09	45,702,648.11
				23,054,323.83
				2,020,570.17
				515,857.36
				1,076,188.44
				405,098.17
				326,717.14
				511,334.09
				507,723.59
				2,073,948.11
	33,560.00			130,397.54
				376,890.18
			2,001,189.30	2,054,968.29
				613,033.50
				2,603,190.99
				4,252,018.09
				1,047,481.13
				62,951.57
				6,238.70
312,727.19	60,055.47	11,545.00		468,441.86
276,898.00			96,961.97	1,063,696.52
			620,000.00	1,276,744.48
			163,020.26	163,020.26
589,625.19	93,615.47	11,545.00	2,881,171.53	44,610,834.01
1,368,634.33	302,796.35		239,116.56	1,091,814.10
				953,749.23
				21,183.99
(656,744.48)	(51,997.00)		(245,007.75)	(953,749.23)
(656,744.48)	(51,997.00)		(245,007.75)	21,183.99
711,889.85	250,799.35		(5,891.19)	1,112,998.09
528,147.20	1,812,352.26		478,575.14	8,013,467.78
				17,853.03
$ 1,240,037.05	$ 2,063,151.61	$ 0.00	$ 472,683.95	$ 9,144,318.90

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balances - Governmental Funds		$ 1,112,998.09
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation in excess of capital outlay expense in the current fiscal year.		(481,316.88)
The undepreciated cost of capital assets disposed of during the current period is reported in the statement of activities. The cost of these assets was recognized as an expenditure in the governmental funds in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.		(13,848.00)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		620,000.00
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which the repayments exceeded the required repayment over the estimated Special Public Education Capital Outlay Advance Payable reported in the prior fiscal year.		
PECO Advance Repayment	$ 656,744.48	
Addition to PECO Advance Payable Estimate	(9,322.56)	647,421.92
Accrued interest expense reported in the statement of activities do not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. This is the reduction in accrued interest during the current fiscal year.		3,936.52
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.		75,392.22
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.		(152,818.00)
The purchases method of inventory accounting is used in the governmental funds for the transportation inventories, while the government-wide statement inventories are accounted for on the consumption method.		17,853.03
Change in Net Assets - Governmental Activities		$ 1,829,618.90

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
June 30, 2011

	Business-Type Activities - Nonmajor Enterprise Fund Small School District Council Consortium
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 37,879.30
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 6,000.00
NET ASSETS	
Unrestricted	31,879.30
TOTAL LIABILITIES AND NET ASSETS	$ 37,879.30

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2011

	Business-Type Activities - Nonmajor Enterprise Fund Small School District Council Consortium
OPERATING REVENUES	
Charges for Services	$ 105,450.00
OPERATING EXPENSES	
Purchased Services	106,068.49
Operating Loss	(618.49)
Total Net Assets - Beginning	32,497.79
Total Net Assets - Ending	$ 31,879.30

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2011

	Business-Type Activities - Nonmajor Enterprise Fund Small School District Council Consortium
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Services	$ 108,300.00
Cash Payments to Suppliers for Goods and Services	(100,225.99)
Net Cash Provided by Operating Activities	8,074.01
Cash and Cash Equivalents, Beginning	29,805.29
Cash and Cash Equivalents, Ending	$ 37,879.30

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:

Operating Loss	$ (618.49)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Due From Other Agencies	2,850.00
Increase in Accounts Payable	5,842.50
Total Adjustments	8,692.50
Net Cash Provided by Operating Activities	$ 8,074.01

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - FIDUCIARY FUNDS
June 30, 2011

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 412,974.00
LIABILITIES	
Internal Accounts Payable	$ 412,974.00

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Reporting Entity**

The Wakulla County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Wakulla County School District (District) is considered part of the Florida system of public education. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Wakulla County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, the following component unit is included within the District's reporting entity:

Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the Wakulla's Charter School of Arts, Science and Technology, Inc. (Charter School). The Charter School is a separate, not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School operates under a charter approved by its sponsor, the Wakulla County District School Board. The Charter School is considered to be a component unit of the District since it is fiscally dependent on the District to levy taxes for its support. The financial data reported on the accompanying statements was derived from the Charter School's audited financial statements for the fiscal year ended June 30, 2011. The audit report is on file at the District Office.

- **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, i.e., the statement of net assets and the statement of activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the District and its component unit. The statements distinguish between governmental activities of the District and those that are considered business-type activities.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities and for each segment of the business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the pupil transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

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

Fund Financial Statements - Fund financial statements report detailed information about the District in the governmental, proprietary, and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA) and other Federal stimulus programs.
- Debt Service – Other Fund – to account for the accumulation of financial resources for the payment of debt principal, interest, and related costs for the PECO Special Facilities Advance Payable.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, and renovation and remodeling projects.
- Capital Projects – Other Fund – to account for the financial resources generated by various State sources and local sources to be used for educational capital outlay needs, including new construction, and renovation and remodeling projects.
- Capital Projects – ARRA Economic Stimulus Capital Projects Fund – to account for ARRA Federal grant resources to be used to install solar panels at various locations in the District.

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

- Enterprise Fund – to account for the financing of the Small School District Council Consortium, for which the District is the fiscal agent.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

WAKULLA COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

- **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

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

Proprietary funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989, and applicable standards issued by the GASB. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for services relating to the Small School District Council Consortium. Operating expenses of the Consortium consist of purchased services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

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

- **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Investments consist of amounts placed in SBA Debt Service accounts for investment of debt service moneys and amounts placed with SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2011, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.78965331 at June 30, 2011. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

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

- **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the first-in, first-out basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased. The cost of transportation inventories are recorded as an expenditure at the time the individual item is purchased.

- **Capital Assets**

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

Description	Estimated Lives
Improvements Other than Buildings	8 - 35 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 10 years
Motor Vehicles	5 - 10 years
Computer Software	5 years

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

- **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets.

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

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

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

- **State Revenue Sources**

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

The State provides financial assistance to administer certain educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same educational programs. The

WAKULLA COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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

- **District Property Taxes**

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

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

The Board adopted the 2010 tax levy on September 13, 2010. 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 Wakulla County Tax Collector at fiscal year-end but not yet remitted to the District. Because any delinquent taxes collected after June 30 would not be material, delinquent taxes receivable are not accrued, and no delinquent tax revenue deferral is recorded.

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

- **Federal Revenue Sources**

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

The Board follows procedures established by State statutes and State Board of Education rules in establishing budget balances for governmental funds, as described below:

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

3. INVESTMENTS

As of June 30, 2011, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	31 Day Average	$ 8,600,908.59
Fund B Surplus Funds Trust Fund (Fund B)	7.16 Year Average	103,313.73
Debt Service Accounts	6 Months	22,135.51
Total Investments, Primary Government		$ 8,726,357.83

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

Interest Rate Risk

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.
- Florida PRIME had a weighted average days to maturity (WAM) of 31 days at June 30, 2011. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2011, is estimated at 7.16 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

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 State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

- The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.
- As of June 30, 2011, the District's investment in Florida PRIME is rated AAAm by Standard & Poor's. Fund B is unrated.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 3,501,421.43	$	$	$ 3,501,421.43
Land Improvements - Nondepreciable	6,752.00			6,752.00
Construction in Progress	910,829.69	373,615.51	910,829.69	373,615.51
Total Capital Assets Not Being Depreciated	4,419,003.12	373,615.51	910,829.69	3,881,788.94
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,348,286.70	8,419.31		3,356,706.01
Buildings and Fixed Equipment	91,082,520.19	1,005,656.04	490,849.54	91,597,326.69
Furniture, Fixtures, and Equipment	4,292,279.61	508,310.21	322,185.77	4,478,404.05
Motor Vehicles	4,199,508.88	548,567.00	13,848.00	4,734,227.88
Computer Software	317,152.29	1,200.00	32,978.85	285,373.44
Total Capital Assets Being Depreciated	103,239,747.67	2,072,152.56	859,862.16	104,452,038.07
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,215,418.70	65,509.89		2,280,928.59
Buildings and Fixed Equipment	20,228,569.60	1,516,237.70	490,849.54	21,253,957.76
Furniture, Fixtures, and Equipment	3,253,684.75	249,040.47	322,185.77	3,180,539.45
Motor Vehicles	3,152,934.57	169,356.51		3,322,291.08
Computer Software	239,122.46	16,110.69	32,978.85	222,254.30
Total Accumulated Depreciation	29,089,730.08	2,016,255.26	846,014.16	30,259,971.18
Total Capital Assets Being Depreciated, Net	74,150,017.59	55,897.30	13,848.00	74,192,066.89
Governmental Activities Capital Assets, Net	$ 78,569,020.71	$ 429,512.81	$ 924,677.69	$ 78,073,855.83

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	$ 169,356.51
Unallocated	1,846,898.75
Total Depreciation Expense - Governmental Activities	$ 2,016,255.26

5. BONDS PAYABLE

Bonds payable at June 30, 2011, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005B, Refunding	$ 650,000	5.0	2018
Series 2009A, Refunding	140,000	4.0 - 5.0	2019
District General Obligation Bonds:			
Series 1999, Refunding	2,350,000	4.09	2015
Total Bonds Payable	$ 3,140,000		

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

- **State School Bonds**

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

- **District General Obligation Bonds**

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

WAKULLA COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2012	$ 129,200.00	$ 90,000.00	$ 39,200.00
2013	129,850.00	95,000.00	34,850.00
2014	130,250.00	100,000.00	30,250.00
2015	140,250.00	115,000.00	25,250.00
2016	139,500.00	120,000.00	19,500.00
2017-2019	292,000.00	270,000.00	22,000.00
Total State School Bonds	961,050.00	790,000.00	171,050.00
General Obligation Bonds:			
2012	647,716.92	550,000.00	97,716.92
2013	649,642.50	575,000.00	74,642.50
2014	650,798.37	600,000.00	50,798.37
2015	650,917.53	625,000.00	25,917.53
Total General Obligation Bonds	2,599,075.32	2,350,000.00	249,075.32
Total	$ 3,560,125.32	$ 3,140,000.00	$ 420,125.32

6. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	$ 3,760,000.00	$	$ 620,000.00	$ 3,140,000.00	$ 640,000.00
PECO Special Facilities Payable	647,421.92	9,322.56	656,744.48		
Compensated Absences Payable	2,590,932.01	263,572.95	338,965.17	2,515,539.79	173,252.51
Other Postemployment Benefits Payable	1,617,639.00	370,717.00	217,899.00	1,770,457.00	
Total Governmental Activities	$ 8,615,992.93	$ 643,612.51	$ 1,833,608.65	$ 7,425,996.79	$ 813,252.51

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 55,408.27	$
Special Revenue:		
Other		48,808.51
Federal Economic Stimulus		6,564.80
Debt Service:		
Other	184,532.37	
Capital Projects:		
Local Capital Improvement		184,532.37
Nonmajor Governmental		34.96
Total	$ 239,940.64	$ 239,940.64

The principal purpose of these balances was related to amounts due to the Debt Service – Other Fund for repayment of the Public Education Capital Outlay (PECO) Special Facilities allocation and to reimburse the General Fund for temporary advances made to the Special Revenue – Other Fund and the Special Revenue – Federal Economic Stimulus Fund. All amounts are expected to be repaid within one year.

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$ 297,004.75	$
Debt Service:		
Other	656,744.48	
Capital Projects:		
Local Capital Improvement		656,744.48
Other		51,997.00
Nonmajor Governmental		245,007.75
Total	$ 953,749.23	$ 953,749.23

The purposes of the interfund transfers were related to the repayment of the PECO Special Facilities allocation and the transfer of PECO maintenance funds and Charter School Capital Outlay funds to the General Fund.

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

8. FUND BALANCE REPORTING

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Types Definitions*, for the fiscal year ended June 30, 2011. The objective of the statement is to improve the usefulness and understanding of fund balance information for users of the financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

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

- **Nonspendable**

  The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash. Examples of items that are not in spendable form include inventory, prepaid amounts, long-term amounts of loans and notes receivable, and property acquired for resale. The District classifies its amounts reported as inventories and its amounts invested in the Fund B Surplus Funds Trust Fund (Fund B) as nonspendable.

- **Restricted**

  The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than General Fund as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.

- **Committed**

  The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District did not have any committed fund balances at June 30, 2011.

- **Assigned**

  The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Superintendent or his designee, as authorized by Board Resolution 11/12-01 and not included in other categories. The District assigned balances of $707,946.12 in the General Fund for the roll forward of unspent school budgets; and $2,013,421.12 in the Capital Projects – Other Fund for ongoing and future capital projects including the Wakulla Middle School HVAC renovation, the Wakulla Administration and Community Education parking project, and other various District-wide repairs and renovations.

WAKULLA COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

- **Unassigned**

  The portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

9. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue sources for the 2010-11 fiscal year:

Source	Amount
Florida Education Finance Program	$ 18,637,577.00
Categorical Educational Program - Class Size Reduction	5,426,605.00
School Recognition	356,201.00
Workforce Development Program	265,445.00
Gross Receipts Tax (Public Education Capital Outlay)	244,969.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	201,304.50
Voluntary Pre-Kindergartern Program	98,107.75
State Forest Funds	12,042.11
Miscellaneous	614,074.75
Total	$ 25,856,326.11

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

10. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2010 tax roll for the 2010-11 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.552	$ 7,455,953.35
Basic Discretionary Local Effort	0.748	1,004,512.45
Critical Operating Needs	0.250	335,732.77
DEBT SERVICE FUNDS		
Voted Tax:		
Special Tax School District No. 1	0.497	667,452.52
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,014,402.36
Total	8.547	$ 11,478,053.45

WAKULLA COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

11. FLORIDA RETIREMENT SYSTEM

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

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2010-11 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Elected County Officers	0.00	18.64
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of PEORP.
(B) Contribution rates are dependent upon retirement class in which reemployed.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions to the Plan for the fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled $2,347,361.46, $2,297,080.26, and $2,515,642.41, respectively, which were equal to the required contributions for each fiscal year. There were 76 PEORP participants during the 2010-11 fiscal year. Required contributions made to PEORP totaled $236,102.76.

The financial statements and other supplementary information of FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained from the Florida Department of Financial Services. Also, an annual report on FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

Effective July 1, 2011, all members of FRS, except for DROP participants and reemployed retirees who are not eligible for renewed membership, are required to contribute 3 percent of their compensation to FRS.

12. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the 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 Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

as soon as they are eligible. The Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. Plan contribution requirements of the District and Plan members are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2010-11 fiscal year, 158 retirees received postemployment life and 36 retirees received other postemployment benefits. The District provided required contributions of $217,899 toward the annual OPEB cost, net of retiree contributions totaling $205,337, which represents 1.36 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 Plan, and changes in the District's net OPEB obligation:

Description	Amount
Normal Cost (service cost for one year)	$ 189,086
Amortization of Unfunded Actuarial Accrued Liability	227,005
Annual Required Contribution	416,091
Interest on Net OPEB Obligation	60,661
Adjustment to Annual Required Contribution	(106,035)
Annual OPEB Cost (Expense)	370,717
Contribution Toward the OPEB Cost	(217,899)
Increase in Net OPEB Obligation	152,818
Net OPEB Obligation, Beginning of Year	1,617,639
Net OPEB Obligation, End of Year	$ 1,770,457

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2011, and the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	$ 1,187,623	31.8%	$ 809,680
2009-10	1,235,477	34.6%	1,617,639
2010-11	370,717	58.8%	1,770,457

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

Actuarial valuations of an ongoing 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 plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of 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 plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The District's OPEB actuarial valuation as of October 1, 2010, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2011, and to estimate the District's 2010-11 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.75 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. This rate includes a 3 percent general price inflation rate. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 9 percent initially for the 2009-10 fiscal year, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after eight years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 15 years.

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

13. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

The following is a schedule of encumbrances at June 30, 2011:

Major Funds								
General	Special Revenue - Other	Special Revenue - Federal Economic Stimulus	Debt Service - Other	Capital Projects - Local Capital Improvement	Capital Projects - Other	Capital Projects - ARRA Economic Stimulus	Nonmajor Governmental Funds	Total Governmental Funds
$ 79,514	$ 11,528	$ 12,395	$ 0	$ 257,229	$ 775,290	$ 0	$ 700	$ 1,136,656

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

Project	Contract Amount	Completed to Date	Balance Committed
Wakulla Education Center:			
Vehicle and Drainage Infrastructure Improvements	$ 835,345.06	$ 60,055.47	$ 775,289.59
Wakulla Middle School:			
HVAC Renovation	559,244.19	302,015.04	257,229.15
Total	$ 1,394,589.25	$ 362,070.51	$ 1,032,518.74

14. CONSORTIUM

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

15. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Wakulla County District School Board is a member of the Panhandle Area Educational Consortium-Risk Management Consortium (Consortium) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the district to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the consortium is composed of superintendents of all participating districts. The Washington County District School Board serves as fiscal agent for the Consortium.

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

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 75,000.00	$ 75,000.00	$ 84,655.21	$ 9,655.21
Federal Through State and Local	528,883.00	536,803.00	560,014.97	23,211.97
State	25,255,985.00	24,943,413.00	25,009,145.97	65,732.97
Local:				
Property Taxes	8,481,227.00	8,481,227.00	8,515,105.61	33,878.61
Miscellaneous	287,000.00	306,041.78	414,017.79	107,976.01
Total Revenues	34,628,095.00	34,342,484.78	34,582,939.55	240,454.77
Expenditures				
Current - Education:				
Instruction	20,705,706.02	20,512,060.24	19,182,830.15	1,329,230.09
Pupil Personnel Services	1,834,642.24	1,849,372.78	1,659,337.73	190,035.05
Instructional Media Services	469,614.51	471,183.68	465,749.89	5,433.79
Instruction and Curriculum Development Services	1,072,750.62	1,093,063.14	795,116.86	297,946.28
Instructional Staff Training Services	163,137.91	183,584.72	182,593.13	991.59
Instruction Related Technology	304,733.03	327,404.54	326,717.14	687.40
School Board	537,215.46	542,040.26	511,334.09	30,706.17
General Administration	451,740.56	457,235.87	423,341.11	33,894.76
School Administration	2,005,819.03	2,054,243.32	1,553,774.41	500,468.91
Facilities Acquisition and Construction	104,894.41	110,286.89	96,837.54	13,449.35
Fiscal Services	358,638.83	377,041.58	376,890.18	151.40
Food Services	9,970.49	69,970.49	53,778.99	16,191.50
Central Services	663,438.52	626,614.52	606,798.98	19,815.54
Pupil Transportation Services	2,559,729.21	2,621,776.38	2,588,651.90	33,124.48
Operation of Plant	4,263,033.56	4,253,274.21	4,252,018.09	1,256.12
Maintenance of Plant	1,098,968.49	1,081,077.85	1,047,481.13	33,596.72
Administrative Technology Services	15,580.21	91,115.79	62,951.57	28,164.22
Community Services	4,075.44	7,075.44	6,238.70	836.74
Fixed Capital Outlay:				
Facilities Acquisition and Construction		84,114.20	84,114.20	
Other Capital Outlay		468,372.42	468,372.42	
Total Expenditures	36,623,688.54	37,280,908.32	34,744,928.21	2,535,980.11
Excess (Deficiency) of Revenues Over Expenditures	(1,995,593.54)	(2,938,423.54)	(161,988.66)	2,776,434.88
Other Financing Sources (Uses)				
Transfers In	244,981.17	244,981.17	297,004.75	52,023.58
Insurance Loss Recoveries			21,183.99	21,183.99
Total Other Financing Sources (Uses)	244,981.17	244,981.17	318,188.74	73,207.57
Net Change in Fund Balances	(1,750,612.37)	(2,693,442.37)	156,200.08	2,849,642.45
Fund Balances, Beginning	5,194,393.18	5,194,393.18	5,194,393.18	
Increase in Inventory Reserve			17,853.03	17,853.03
Fund Balances, Ending	$ 3,443,780.81	$ 2,500,950.81	$ 5,368,446.29	$ 2,867,495.48

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget- Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ 2,906,416.11	$ 3,066,229.38	$ 2,202,645.16	$ (863,584.22)	$ 2,429,287.78	$ 3,555,360.15	$ 3,430,558.97	$ (124,801.18)
2,906,416.11	3,066,229.38	2,202,645.16	(863,584.22)	2,429,287.78	3,555,360.15	3,430,558.97	(124,801.18)
1,963,954.53	2,024,761.63	1,427,872.95	596,888.68	2,120,187.25	2,463,950.52	2,443,620.73	20,329.79
106,298.00	313,264.00	271,536.98	41,727.02	32,566.54	105,385.76	89,695.46	15,690.30
				49,500.40	50,110.40	50,107.47	2.93
421,297.00	220,471.02	145,864.68	74,606.34		143,451.60	135,206.90	8,244.70
180,445.18	176,703.27	125,194.57	51,508.70	194,352.69	169,491.15	97,310.47	72,180.68
98,004.40	90,988.61	62,639.44	28,349.17	29,570.71	27,306.01	21,743.04	5,562.97
					520,258.83	520,173.70	85.13
	3,700.00	3,689.87	10.13	1,346.19	3,485.33	2,544.65	940.68
136,417.00	85,033.27	14,539.09	70,494.18	1,764.00	1,764.00		1,764.00
	151,307.58	151,307.58			70,156.55	70,156.55	
2,906,416.11	3,066,229.38	2,202,645.16	863,584.22	2,429,287.78	3,555,360.15	3,430,558.97	124,801.18
$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

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

Note: The amortization period for the UAAL was revised from 30 to 15 years, assuming that many retirees age 65 and older will discontinue coverage under the District plan. This revision shortened the period of benefit and, consequently, the amortization period was adjusted to recognize all accrued benefits before being paid out.

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011

1. BUDGETARY BASIS OF ACCOUNTING

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	$ 225,157.28	$
National School Lunch Program	10.555	300	925,164.40	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	110,731.61	
Total Child Nutrition Cluster			1,261,053.29	
Florida Department of Financial Services:				
Secure Payments to States and Counties Containing Federal Lands	10.665	None	170,969.72	
Total United States Department of Agriculture			1,432,023.01	
United States Department of Energy:				
Indirect:				
Florida Solar Energy Center:				
ARRA - State Energy Program	81.041	None	11,545.00	
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	886,024.52	25,000.00
Special Education - Preschool Grants	84.173	267	48,115.64	
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	571,365.44	11,208.43
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	17,231.62	
University of South Florida:				
Special Education - Grants to States	84.027	None	2,500.00	
Putnam County District School Board:				
Special Education - Grants to States	84.027	None	97,092.12	
Leon County District School Board:				
Special Education - Grants to States	84.027	None	23,945.00	
Total Special Education Cluster			1,646,274.34	36,208.43
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	918,884.75	79,510.81
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 226	192,753.57	11,053.74
Total Title I, Part A Cluster			1,111,638.32	90,564.55
State Fiscal Stabilization Fund Cluster:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	1,523,610.00	
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	50,708.77	
Total State Fiscal Stabilization Fund Cluster			1,574,318.77	
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	45,023.17	
Career and Technical Education - Basic Grants to States	84.048	151	114,379.55	
Improving Teacher Quality State Grants	84.367	224	187,491.90	258.36
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	5,710.39	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111	73,757.18	
Education Jobs Fund	84.410	541	995,422.00	
Total United States Department of Education			5,754,015.62	127,031.34
United States Department of Health and Human Services:				
Indirect:				
North Florida Child Development, Inc.:				
Head Start	93.600	None	101,056.00	
Wakulla County Health Department:				
Community-Based Abstinence Education (CBAE)	93.010	None	7,920.00	
Total United States Department of Health and Human Services			108,976.00	
Corporation for National and Community Service:				
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	234	2,725.63	
United States Department of Homeland Security:				
Indirect:				
Florida Department of Education:				
Homeland Security Grant Program	97.067	532	39,000.00	
United States Department of Defense:				
Direct:				
Navy Junior Reserve Officers Training Corps	None	N/A	84,655.21	
Total Expenditures of Federal Awards			$ 7,432,940.47	$ 127,031.34

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

(2) Noncash Assistance - National School Lunch Program. Represents the amount of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Wakulla County District School Board as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Wakulla County District School Board's financial statements. For the discretely presented component unit, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding No. 1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or 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.

Compliance and Other Matters

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

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

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

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

David W. Martin, CPA
March 16, 2012

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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 COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the Wakulla County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2011. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

David W. Martin, CPA
March 16, 2012

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 - ARRA, and 84.392 – ARRA); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 - ARRA and 84.397 - ARRA); and Education Jobs Fund (CFDA No. 84.410)
Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FINANCIAL STATEMENT FINDING

SIGNIFICANT DEFICIENCY

Finding No. 1: Financial Reporting

Our review of the District's 2010-11 fiscal year annual financial report, as presented for audit, indicated improvements could be made in financial reporting procedures. Preparation of fund financial statements pursuant to generally accepted accounting principles (GAAP) requires an analysis to determine the major funds that require separate columnar presentation. The District must report a fund as major when the fund's liabilities represent at least 10 percent of the total governmental fund liabilities; however, because of a calculation error in determining the total governmental fund liabilities, District personnel did not separately identify and report the Special Revenue - Other Fund as a major fund. Separately reporting major funds allows financial statement users to readily identify the District's most significant funds and their related balances and transactions, and ensures compliance with GAAP.

We extended our procedures to determine the adjustments necessary to properly report the Special Revenue – Other fund as a major fund on the financial statements, and the District accepted these adjustments. However, our extended audit procedures cannot substitute for management's responsibility to implement adequate controls over financial reporting. A similar finding was noted in our report No. 2011-146.

Recommendation: The District should enhance procedures to ensure that major funds are properly identified and reported on the financial statements.

ADDITIONAL MATTERS

Finding No. 2: Performance Assessments

Section 1012.34(3), Florida Statutes (2010),[1] required the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of employees, the procedures were to primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3), Florida Statutes (2010), at the school where the employee works. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes (2010), included evaluation measures such as the

[1] Sections 1012.34 and 1008.22, Florida Statutes, were amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.34(3)(a), Florida Statutes (2011), at least 50 percent of performance evaluations of instructional personnel and school administrators must be based upon data and indicators of student learning growth assessed annually by statewide or district assessments spanning three years of data. However, if three years of data is not available, the District must use the available data and the percentage of the evaluation based upon student learning growth may be reduced to not less than 40 percent for administrators and in-classroom instructional personnel, and to not less than 20 percent for instructional personnel who are not classroom teachers.

employee's ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction and use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies. Section 1012.34(3)(d), Florida Statutes (2010), required that, if an employee was not performing satisfactorily, the performance evaluator had to notify the employee in writing and describe the unsatisfactory performance.

While the assessments for instructional personnel and school administrators generally met the requirements of Section 1012.34(3)(a), Florida Statues (2010), District records did not sufficiently evidence a correlation between student performance and the employee's performance assessment, nor that student performance was the primary factor for the overall evaluation rating. For example, the evaluation form did not provide a numeric or percentage indicator to show that student achievement was the primary contributing factor used to evaluate employee performance.

District personnel indicated that they delayed revisions to performance assessments until implementation of the Federal Race-to-the-Top grant requirements, which are subject to approval by the Florida Department of Education for the 2011-12 fiscal year. However, without measuring employee performance by the required criteria, performance assessments of instructional personnel and school administrators may not effectively communicate the employee's accomplishments or shortcomings. District personnel further indicated that the District is developing revised performance assessments that provide objective numeric measurements to correlate student achievement and instructional personnel performance, and provide a higher numeric weight to student performance. A similar finding was noted in our report No. 2011-146.

Recommendation: The District should continue its efforts to document that performance assessments of instructional personnel and school administrators consider student performance as required by law.

Finding No. 3: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes (2010),[2] provided that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes (2010), required the Board to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and was required to provide differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not adopted formal policies and procedures to ensure that a portion of each instructional employee's compensation was based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010). Such policies and procedures could establish and communicate the performance measures affecting instructional employee compensation. In addition, the Board had not adopted formal policies and procedures establishing the documented process to identify the instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in

[2] Section 1012.22, Florida Statutes, was amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.22(1)(c)4.b., Florida Statutes, the District must base a portion of each employee's compensation upon performance demonstrated under Section 1012.34, Florida Statutes, and provide differentiated pay for instructional personnel and school administrators based upon district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

Section 1012.22(1)(c)4., Florida Statutes (2010). Such policies and procedures could specify the prescribed factors to be used as the basis for determining differentiated pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2010-11 fiscal year salary schedule and applicable union contract for instructional personnel and school-based administrators provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes (2010), could be improved, as follows:

- **Instructional Personnel**. Contrary to Section 1012.22(1)(c)2., Florida Statutes (2010), the instructional personnel salary schedule and union contract did not evidence that a portion of the compensation of each instructional employee was based on performance.

  The instructional personnel salary schedule and union contract provided salary supplements for additional responsibilities beyond the standard work day, such as supplements for athletic coaches, band directors, and school improvement chairpersons. The salary schedule and union contract also evidenced consideration of differentiated pay for critical shortage areas by providing a salary supplement for speech language pathologists, for school demographics by providing a salary supplement for personnel at schools with 90 percent or more students receiving free or reduced-price meals, and for job performance difficulties by providing instructors higher salaries than paraprofessionals. However, the usefulness and relevance of the established differentiated pay factor for school demographics was not readily apparent since there were no schools that met the District's criteria and no instructional personnel received a salary supplement for school demographics during the 2010-11 fiscal year. In addition, District records did not evidence the basis for identifying the critical shortage areas. Such documentation could include records evidencing a minimal number of applicants, high personnel turnover rates, and other factors demonstrating the difficulty of hiring and retaining speech language pathologists.

- **School-based Administrators**. The school-based administrators' salary schedule evidenced consideration for additional responsibilities, school demographics, and level of job performance difficulties by the differing administrative pay grades for elementary, middle, and high schools based on the type school. However, the salary schedule did not evidence consideration of differentiated pay based on critical shortage areas for school-based administrators, contrary to Section 1012.22(1)(c)4., Florida Statutes (2010).

District personnel indicated that salary schedule revisions to comply with statutory performance and differentiated pay requirements were delayed to ensure consistency with Federal Race-to-the-Top grant requirements. However, without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for the differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlates to their compensation and the various differentiated pay factors are consistently considered and applied. A similar finding was noted in our report No. 2011-146.

Recommendation: The Board should adopt policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c), Florida Statutes.

Finding No. 4: Salary Overpayments

Section 1012.22, Florida Statutes, requires the Board to adopt salary schedules as a basis for paying school employees, and State Board of Education Rule 6A-1.052, Florida Administrative Code, requires the adopted salary schedules to be the sole instrument in determining compensation for employees. In addition, Board Policy 6.91 provides that personnel will be paid in accordance with the salary schedules as adopted by the Board. The Board adopted a salary

schedule for the 2010-11 fiscal year, which contained specific salary amounts, depending on the degree and experience levels, for instructional and noninstructional personnel. In addition, the adopted salary schedule provided for a $2,000 critical shortage area salary supplement for speech language pathologists.

Our initial test of 25 employees to determine whether the salaries paid to the employees were properly supported by documentation of experience disclosed a speech language pathologist and an occupational therapist that the District granted more experience than supported by the employment history included in their personnel files. We expanded our tests and determined that the District granted the maximum experience allowable at the master's degree level (i.e., 24 years experience) for all speech language pathologists, occupational therapists, and physical therapists for a total of 10 employees, although the actual work experience of these 10 employees ranged from 0 to 13 years, and only 8 of the employees had master's degrees.

In response to our inquiry, the Superintendent indicated that the additional pay provided to these employees was based on a critical shortage of personnel to fill the positions; however, District records did not evidence any Board action to authorize the additional pay for these employees. Further, 7 of the 10 employees were speech language pathologists that were eligible for the $2,000 critical shortage supplement; however, because additional experience resulted in an increase in pay for these employees, the District decided not to pay the employees for the $2,000 supplement, contrary to the Board-adopted salary schedule.

Based on the Board-approved salary schedule for the 2010-11 fiscal year, the 10 employees were overpaid a net amount of $159,355 (net overpayments to each employee ranged from $3,455 to $21,200). Employee compensation payments that are not based on Board-approved salary schedules may be inconsistent with Board intent.

Recommendation: The Board should take action to clarify its intent for the 2010-11 fiscal year compensation of speech language pathologists, occupational therapists, and physical therapists. If the intent was to pay these employees consistent with the Board-approved salary schedule for the 2010-11 fiscal year, the District should seek reimbursement for overpayments of $159,355 from these individuals. In addition, the District should enhance its procedures to ensure that future salary payments are consistent with the Board-approved salary schedule.

Finding No. 5: Overtime Payments

Board Policy 6.91 authorizes the payment of overtime wages to employees for hours worked beyond their designated total weekly hours, when approved in advance by the employee's supervisor. Employees are compensated at their regular rate of pay for excess hours up to 40 hours per week. For excess hours over 40 hours per week, employees are paid at a rate of one and one-half times their regular rate of pay for the service performed.

During the 2010-11 fiscal year, the District paid approximately $53,000 in overtime compensation to 11 employees who worked in the Transportation Department. District personnel indicated that these overtime payments were mainly for substitute bus drivers either during the normal school hours or for after-school field trips or athletic events. However, our review disclosed that the District's monitoring of overtime could be enhanced, as follows:

- District records evidenced preauthorization of hours worked beyond the standard work week and related overtime payments totaling approximately $18,000 for field trips and athletic events; however, District records did not evidence preauthorization of other overtime hours and related payments totaling approximately $35,000, contrary to Board policy. District personnel indicated that the transportation director or secretary maintained calendars of personnel assignments initially prepared by the previous

day of the assignment and adjusted as needed during the day of the assignment. However, as the calendars did not identify who prepared the calendars to preauthorize these overtime work hours and related overtime payments, the calendars would not meet the preapproval requirements of Board policy.

- An inappropriate separation of duties existed in that the transportation secretary also occasionally served as a substitute bus driver, received overtime payments, and prepared time records to support the overtime payments without supervisory approval of the overtime payments. During the 2010-11 fiscal year, the transportation secretary received approximately $9,600 of overtime payments.
- Our test of seven overtime records for four employees disclosed an input error of 10 hours overreported for one employee, resulting in an overpayment of $260.22.

When overtime is not effectively preauthorized and monitored, there is an increased risk that overpayments of overtime compensation could occur and not be timely detected.

Recommendation: The District should enhance its procedures to ensure preauthorization of hours worked beyond the standard work week and preapproval of overtime payments. Also, to provide for appropriate separation of duties, employees who receive overtime payments should not be assigned responsibility for maintaining their own overtime records. In addition, the District should seek reimbursement of the $260.22 overtime overpayment.

Finding No. 6: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2010-152, Laws of Florida, Specific Appropriation 109, states that from the funds provided in Specific Appropriations 9 and 109, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to school districts stated that fundable instructional contract hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures for reporting instructional hours provide that institutions must develop a procedure for withdrawing students for nonattendance and that the standard for setting a withdrawal date shall be six consecutive absences from a class schedule, with the withdrawal date reported on the day after the last date of attendance.

For the 2010-11 fiscal year, the District reported to FDOE 43,082 adult general education contact hours for 196 students. Our test of 3,537 hours reported for 15 students enrolled in 61 adult education classes disclosed 12 students with a total of 2,371 hours overreported and 12 students with a total of 1,172 hours underreported, or 1,199 net overreported hours. The misreported hours occurred because of data entry errors made to the student records system. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly. Similar findings were noted in our previous audits, most recently in our report No. 2011-146.

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

Finding No. 7: Information Technology – Disaster Recovery Plans

Disaster recovery planning is an important element of information technology (IT) controls established to manage the availability of valuable data and IT resources in the event of a processing disruption. The primary objective of disaster recovery planning is to provide the entity a plan for continuing critical operations in the event of a major hardware or software failure. The success and effectiveness of a disaster recovery plan requires elements such as provisions for secured off-site storage of critical backups and alternate site processing arrangements.

The Panhandle Area Educational Consortium (PAEC) provides various programs and services, including information technology services, to member districts. PAEC utilizes the Northwest Regional Data Center (NWRDC) for processing various administrative application systems. The Board entered into a reciprocal disaster recovery agreement with PAEC member districts whereby member districts agreed to serve as alternative processing sites for each other in the event of a disaster that interrupts critical IT operations.

The District had established an IT disaster recovery plan and assigned responsibilities for performing disaster recovery activities to particular employees. However, the District had not tested the plan, and the plan did not prioritize critical operations and data, and document procedures to follow when the NWRDC is inoperable. When a disaster recovery plan does not include key recovery control elements and has not been tested for feasibility or weaknesses, there is an increased risk that restoration of IT operations may be delayed in the event of a disaster. Similar findings were noted in previous audits, most recently in our report No. 2011-146.

Recommendation: The District should enhance its IT disaster recovery plan by including a prioritized list of critical operations and data and documentation of procedures to follow when service interruptions arise with NWRDC. In addition, the District should annually test the effectiveness of the plan.

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

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

District IT procedures included security incident response procedures for identifying and logging significant security events; analyzing security violations and incidents; and issuing security alerts and advisories to District staff. However, the District did not have an established incident response team in place and District procedures did not include an established process for reporting security violations and incidents to the appropriate law enforcement, notification of affected parties, and periodically reviewing critical system resources.

Should an event occur that involves the potential or actual compromise, loss, or destruction of District data or IT resources, the lack of comprehensive security incident response procedures and an established incident response team may result in the District's failure to take appropriate and timely action to prevent further loss or damage to the District's data and IT resources.

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

Finding No. 9: Information Technology – User Authentication and Data Loss Prevention

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to user authentication and data loss prevention needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to user authentication and data loss prevention, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no audit findings on Federal programs required to be reported under OMB Circular A-133, Section 510.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2011-146.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2011-146		There were no prior Federal audit findings.		

EXHIBIT A

MANAGEMENT'S RESPONSE

WAKULLA COUNTY SCHOOL BOARD

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DAVID MILLER
SUPERINTENDENT

RAY GRAY
DISTRICT I

MICHAEL SCOTT
DISTRICT II

BECKY COOK
DISTRICT III

GREG THOMAS
DISTRICT IV

JERRY EVANS
DISTRICT V

February 27, 2012

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

Dear Mr. Martin:

The preliminary and tentative findings and recommendations for the fiscal year ended June 30, 2011 have been reviewed with Cheryl Pueschel and Nicole Cope. Our response to the findings and recommendations are as follows:

Finding No. 1:

The spreadsheet utilized has been updated and corrected to ensure that major funds are correctly identified as required.

Finding No. 2:

The District continues to work on developing performance assessments for instructional personnel and school based administrators that are based primarily on student performance. More specifically, the District has designed, trained, received approval and implemented the new teacher evaluation system for the 2011-2012 fiscal year. The Teacher Evaluation Redevelopment Team (also known as DTAAT), the teachers union, Florida Department of Education (FDOE) and the School Board have all approved the new teacher evaluation system which is aligned with Race to the Top requirements and Section 1012.34, Florida Statutes. Evaluations will include 50% deliberate practice and 50% student achievement using the Value Added Model for the 2011-12 fiscal year. Teacher evaluation results will be reported to FDOE during Survey 5.

The Florida School Leader Assessment (FLSA) is currently in the redevelopment stage and will be forwarded to FDOE by the designated deadline of May 1, 2012. The FSLA Redevelopment Team has met with FDOE, Lead and Learn, Panhandle Area Educational Consortium (PAEC) and District leaders. A phase-in plan has been established and the District has agreed to implement the designated State Model. The District FSLA will include 50% leadership practices and 50% student achievement using the Value Added Model for the 2012-13 fiscal year.

EXHIBIT A

MANAGEMENT'S RESPONSE (CONTINUED)

Finding No. 3:

As noted in our response to the finding on performance assessments above, the District is currently working towards adopting formal policies and procedures to ensure a portion of each instructional employee and school based administrator's pay is based on performance. Also, the District will continue to work on ensuring that differentiated pay is properly identified on both the instructional and school based administrator salary schedules.

Finding No. 4:

The Board will take appropriate action to clarify its intent to have all speech pathologists, occupational therapists, and physical therapists compensated at the amount noted in this finding. Furthermore, existing salary schedules will be revised as necessary to clearly identify the level of compensation for these particular positions in the District.

Finding No. 5:

The District will enhance procedures to ensure that the Transportation Director clearly documents her preapproval of all overtime worked and overtime payments processed for payroll in a timely fashion. Also, the processing of payroll will no longer be performed by the transportation secretary, but by an individual who is not eligible for overtime. Lastly, the District will attempt to recover the overpayment noted in the finding.

Finding No. 6:

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

Finding No. 7:

The District's Disaster Recovery Plan will be enhanced to encompass a prioritized list of critical operations and data documentation of procedures to follow when NWRDC is inoperable. The District will also test the Disaster Recovery Plan annually.

Finding No. 8:

The District will establish a Security Incident team. The process of reporting the security incident will be enhanced to include proper personnel and outside authorities that will be notified when such incidents occur.

EXHIBIT A

MANAGEMENT'S RESPONSE (CONTINUED)

Finding No. 9:

Security controls involving user authentication and data loss prevention will be enhanced and modified to limit the potential compromise and loss of secured data.

The District accepts your comments and recommendations with regard to its 2010-2011 fiscal year audit report in a positive and constructive manner. All recommendations will be reviewed and considered for implementation during the 2011-2012 fiscal year. The District commends your staff on their courtesy and professionalism.

Sincerely,

David Miller
Superintendent, Wakulla County School Board

DMB/rb