STATE OF FLORIDA AUDITOR GENERAL

Financial, Operational, and Federal Single Audit

Report No. 2016-083
February 2016

WAKULLA COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2015

Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2014-15 fiscal year, Robert Pearce served as Superintendent and the following individuals served as Board members:

	District No.
Ray Gray to 11-17-14, Chair	1
Verna Brock from 11-18-14	1
Melisa Taylor	2
Becky Cook, Vice Chair from 11-18-14	3
Greg Thomas, Vice Chair to 11-17-14, Chair from 11-18-14	4
Jerry Evans to 11-17-14	5
JoAnn Daniels from 11-18-14	5

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

The team leader was Craig J. Pohlmann, CPA, and the audit was supervised by Karen L. Revell, CPA.

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

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WAKULLA COUNTY DISTRICT SCHOOL BOARD

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

Additional Matters

Finding 1: The District did not always timely perform background screenings for applicable instructional and noninstructional employees.

Finding 2: As similarly noted in our report No. 2015-131, the District needs to strengthen controls to ensure the accurate reporting to the Florida Department of Education of instructional contact hours for adult general education classes.

Finding 3: District procedures continue to need improvement to ensure part-time virtual instruction is offered to all students.

Finding 4: The District's information technology (IT) disaster recovery plan needs improvement. A similar finding was noted in our report No. 2015-131.

Finding 5: District IT security incident response procedures continue to need improvement.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Special Education Cluster was audited as a major Federal program. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on the Special Education Cluster.

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 program; and
- Taken corrective actions for findings included in our report No. 2015-131.

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, 2015. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

AUDIT METHODOLOGY

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

Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 37 percent of the assets and 72 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the discretely presented component unit, which represents 100 percent of the transactions and account balances of the discretely presented component unit columns. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based solely 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 from material misstatement. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Wakulla County District School Board, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, **Budgetary Comparison Schedule - General and Major Special Revenue Funds**, **Schedule of Funding Progress - Other Postemployment Benefits Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance**

Subsidy Pension Plan, **Schedule of District Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget (OMB) Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*.**

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman, CPA
Tallahassee, Florida
January 21, 2016

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, 2015. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2014-15 fiscal year are as follows:

- The GASB issued Statement No, 68, *Accounting and Financial Reporting for Pensions,* effective for fiscal years beginning after June 15, 2014. Excluding the implementation of GASB 68, the District's financial position improved during the fiscal year ended June 30, 2015, by $1,193,015.18 or 1 percent. The implementation of this new accounting standard resulted in a net position decrease of $14,145,857.82, which represents a 17.5 percent decrease over the 2013-14 fiscal year.
- General Fund expenditures exceeded revenues by $1,332,904.56. This may be compared to last fiscal year's results in which General Fund expenditures exceeded revenues by $579,638.50.
- The unassigned and assigned fund balances for the General Fund, representing the current financial resources available for general appropriation by the Board, totaled $3,156,119.93, or 8.4 percent of General Fund expenditures, totaling $37,786,068.71. This represents a 21.4 percent decrease from the previous year's unassigned and assigned fund balances of $4,017,195.80.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

Government-wide Financial Statements

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

The government-wide 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 the fiscal agent of the Small School District Council Consortium, the District charges fees to cover the cost of certain services it provides.
- Component unit – The District presents Wakulla's Charter School of Arts, Science and Technology, Inc., as a separate legal entity in this report. Although the school is a legally separate organization, it is considered a component unit for financial reporting purposes and is included in this report because the school 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.

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 three broad categories discussed below.

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

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

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

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

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

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2015, compared to net position as of June 30, 2014:

Net Position, End of Year

	Governmental Activities		Business-Type Activities		Total	
	6-30-15	6-30-14	6-30-15	6-30-14	6-30-15	6-30-14
Current and Other Assets	$ 7,017,589.13	$ 6,873,033.38	$ 32,229.86	$ 27,593.96	$ 7,049,818.99	$ 6,900,627.34
Capital Assets	80,338,082.59	80,737,286.18	-	-	80,338,082.59	80,737,286.18
Total Assets	87,355,671.72	87,610,319.56	32,229.86	27,593.96	87,387,901.58	87,637,913.52
Deferred Outflows of Resources	3,628,160.00	-	-	-	3,628,160.00	-
Long-Term Liabilities	17,189,052.80	6,651,094.27	-	-	17,189,052.80	6,651,094.27
Other Liabilities	426,590.74	304,993.29	8,588.40	531.50	435,179.14	305,524.79
Total Liabilities	17,615,643.54	6,956,087.56	8,588.40	531.50	17,624,231.94	6,956,619.06
Deferred Inflows of Resources	6,859,814.00	-	-	-	6,859,814.00	-
Net Position:						
Net Investment in Capital Assets	79,342,140.39	78,777,053.78	-	-	79,342,140.39	78,777,053.78
Restricted	1,280,902.72	1,038,184.48	-	-	1,280,902.72	1,038,184.48
Unrestricted (Deficit)	(14,114,668.93)	838,993.74	23,641.46	27,062.46	(14,091,027.47)	866,056.20
Total Net Position	$ 66,508,374.18	$ 80,654,232.00	$ 23,641.46	$ 27,062.46	$ 66,532,015.64	$ 80,681,294.46

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

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

As a result of the implementation of GASB Statement No. 68, the District is required to recognize its proportionate share of the unfunded pension obligation of the defined benefit plan and the health insurance subsidy plan administered by the Florida Retirement System. As explained in Note II to the financial statements, a significant adjustment was made to net position that resulted in a negative balance for the unrestricted net position of the District. As of June 30, 2015, the unrestricted portion of the District's net position remains negative due to the recognized pension liability.

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

Operating Results for the Fiscal Year Ended

	Governmental Activities		Business-Type Activities		Total	
	6-30-15	6-30-14	6-30-15	6-30-14	6-30-15	6-30-14
Program Revenues:						
Charges for Services	$ 521,709.52	$ 594,499.65	$ 105,450.00	$ 102,600.00	$ 627,159.52	$ 697,099.65
Operating Grants and Contributions	3,255,087.44	3,196,885.99	-	-	3,255,087.44	3,196,885.99
Capital Grants and Contributions	219,252.31	192,580.00	-	-	219,252.31	192,580.00
General Revenues:						
Property Taxes, Levied for Operational Purposes	7,178,874.61	7,298,555.85	-	-	7,178,874.61	7,298,555.85
Property Taxes, Levied for Debt Service	636,524.61	641,697.83	-	-	636,524.61	641,697.83
Property Taxes, Levied for Capital Projects	1,689,998.94	1,689,235.29	-	-	1,689,998.94	1,689,235.29
Grants and Contributions Not Restricted to Specific Programs	30,194,062.81	28,781,894.25	-	-	30,194,062.81	28,781,894.25
Unrestricted Investment Earnings	6,315.84	17,150.54	-	-	6,315.84	17,150.54
Miscellaneous	1,583,765.22	604,818.99	-	584.97	1,583,765.22	605,403.96
Total Revenues	45,285,591.30	43,017,318.39	105,450.00	103,184.97	45,391,041.30	43,120,503.36
Functions/Program Expenses:						
Instruction	21,893,404.89	21,307,356.48	-	-	21,893,404.89	21,307,356.48
Student Personnel Services	2,467,687.70	2,228,438.45	-	-	2,467,687.70	2,228,438.45
Instructional Media Services	491,081.01	483,500.73	-	-	491,081.01	483,500.73
Instruction and Curriculum Development Services	526,564.59	518,887.50	-	-	526,564.59	518,887.50
Instructional Staff Training Services	472,885.01	423,610.91	-	-	472,885.01	423,610.91
Instruction Related Technology	255,960.85	410,429.30	-	-	255,960.85	410,429.30
Board	760,136.10	545,469.92	-	-	760,136.10	545,469.92
General Administration	480,490.26	516,578.05	-	-	480,490.26	516,578.05
School Administration	2,597,144.62	2,388,391.52	-	-	2,597,144.62	2,388,391.52
Facilities Acquisition and Construction	266,723.20	614,695.42	-	-	266,723.20	614,695.42
Fiscal Services	403,814.58	371,836.29	-	-	403,814.58	371,836.29
Food Services	2,179,475.26	2,092,180.24	-	-	2,179,475.26	2,092,180.24
Central Services	878,421.78	734,008.86	-	-	878,421.78	734,008.86
Student Transportation Services	3,026,761.75	3,101,844.10	-	-	3,026,761.75	3,101,844.10
Operation of Plant	4,216,811.88	4,195,299.69	-	-	4,216,811.88	4,195,299.69
Maintenance of Plant	979,519.93	1,204,895.45	-	-	979,519.93	1,204,895.45
Administrative Technology Services	117,696.29	100,709.71	-	-	117,696.29	100,709.71
Community Services	6,452.02	6,279.56	-	-	6,452.02	6,279.56
Unallocated Interest on Long-Term Debt	51,516.44	93,170.76	-	-	51,516.44	93,170.76
Unallocated Depreciation Expense	2,020,027.96	1,984,454.69	-	-	2,020,027.96	1,984,454.69
Small School District Council Consortium	-	-	108,871.00	106,036.01	108,871.00	106,036.01
Total Functions/Program Expenses	44,092,576.12	43,322,037.63	108,871.00	106,036.01	44,201,447.12	43,428,073.64
Change in Net Position	1,193,015.18	(304,719.24)	(3,421.00)	(2,851.04)	1,189,594.18	(307,570.28)
Net Position, Beginning of Year	80,654,232.00	80,958,951.24	27,062.46	29,913.50	80,681,294.4600	80,988,864.74
Adjustments to Beginning Net Position (1)	(15,338,873.00)	-	-	-	(15,338,873.00)	-
Net Position - Beginning, as Restated	65,315,359.00	80,958,951.24	27,062.46	29,913.50	65,342,421.46	80,988,864.74
Net Position - Ending	$ 66,508,374.18	$ 80,654,232.00	$ 23,641.46	$ 27,062.46	$ 66,532,015.64	$ 80,681,294.46

Note: (1) Adjustment to beginning net position is due to the implementation of GASB Statement No. 68, which is a change in accounting principle that requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans.

The largest revenue source is the State of Florida (63 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Compared to the previous fiscal year, the base student allocation multiplied by the District cost differential increased by 8.4 percent from $3,548.55 per full-time equivalent student to $3,848.32 per full-time equivalent student. Overall State revenues totaled $28,700,741.97, an increase of $1,238,238.20.

Property tax revenues decreased by $124,090.78, or 1.3 percent, primarily because of the decline in the property tax base from approximately $1,170,623,000 in the 2013-14 fiscal year to approximately $1,155,385,000 in the 2014-15 fiscal year.

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, 82.5 percent of revenues and 83.5 percent of expenditures of the governmental funds were accounted for in the General Fund. General Fund State revenues totaled $28,003,965.15, an increase of $1,139,816.23 from the prior fiscal year. During the fiscal year, the total fund balance decreased by $618,970.58 to $3,860,142.47. 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 $3,156,119.93, or 8.7 percent of General Fund revenues totaling $36,453,164.15. The unassigned plus assigned fund balance decreased $861,075.87 from the unassigned plus assigned fund balance of $4,017,195.80 in the previous fiscal year.

The Special Revenue – Federal Economic Stimulus Fund is used to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA). Revenues and expenditures totaled $174,204.76 each for the 2014-15 fiscal year. Because revenue is recognized to the extent that eligible expenditures have been incurred for these Federal grant program resources, the fund does not maintain a fund balance.

The Capital Projects - Other Fund has a total fund balance of $1,000,054.55. The fund balance for this fund is restricted or assigned for the acquisition, construction, and maintenance of capital assets. Of the total fund balance, $395,177 has been encumbered for the Wakulla High gym and track renovations.

Proprietary Fund

The only proprietary fund for the District is the Small School District Council Consortium Enterprise Fund, which reported unrestricted net position of $23,641.46. This balance represents a 12.6 percent decrease from the previous fiscal year primarily because of the increased costs for the consulting firm used by the Consortium.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2014-15 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues of $48,336.76 and an increase in final appropriations of $180,702.90 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 $357,806.91, or 1 percent, more than final budgeted amounts, while actual expenditures are $1,298,248.04, or 3.3 percent, less than final budgeted amounts. The positive variance 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 $1,703,885.93.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2015, totaled $80,338,082.59 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

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

Long-Term Debt

At June 30, 2015, the District had total long-term debt outstanding of $995,942.20, which is comprised of $367,000 in bonds payable and $628,942.20 in installment-purchases payable.

The Florida Department of Education issued Capital Outlay Refunding Bonds, Series 2014B, to refund callable portions of the District's State School Bonds, Series 2005B. The State Series 2014B bonds were issued to reduce the total debt service payments over the remaining 5 years by approximately $23,000 for the District.

During the current fiscal year, retirement of debt totaled $964,290.20.

Additional information on the District's long-term debt can be found in Notes I.F.6., III.H., and III.I. to the financial statements.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Wakulla County District School Board, 69 Arran Road, Crawfordville, Florida, 32327.

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

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS				
Cash and Cash Equivalents	$ 5,177,290.99	$ 26,529.86	$ 5,203,820.85	$ 180,036.00
Investments	10,275.22	-	10,275.22	25,201.00
Accounts Receivable	1,001,238.76	-	1,001,238.76	-
Due from Other Agencies	562,986.67	5,700.00	568,686.67	4,788.00
Prepaid Items	-	-	-	11,445.00
Inventories	265,797.49	-	265,797.49	-
Capital Assets:				
Nondepreciable Capital Assets	3,702,966.82	-	3,702,966.82	-
Depreciable Capital Assets, Net	76,635,115.77	-	76,635,115.77	687,161.00
TOTAL ASSETS	87,355,671.72	32,229.86	87,387,901.58	908,631.00
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	3,628,160.00	-	3,628,160.00	-
LIABILITIES				
Accrued Salaries and Benefits	3,708.09	-	3,708.09	-
Payroll Deductions and Withholdings	10,571.64	-	10,571.64	-
Accounts Payable	278,087.98	8,588.40	286,676.38	14,432.00
Construction Contracts Payable	102,002.30	-	102,002.30	-
Construction Contracts Payable - Retainage	11,333.59	-	11,333.59	-
Accrued Interest Payable	20,887.14	-	20,887.14	-
Long-Term Liabilities:				
Portion Due Within One Year	783,857.90	-	783,857.90	186,668.00
Portion Due After One Year	16,405,194.90	-	16,405,194.90	1,961.00
TOTAL LIABILITIES	17,615,643.54	8,588.40	17,624,231.94	203,061.00
DEFERRED INFLOWS OF RESOURCES				
Pensions	6,859,814.00	-	6,859,814.00	-
NET POSITION				
Net Investment in Capital Assets	79,342,140.39	-	79,342,140.39	498,532.00
Restricted for:				
State Required Carryover Programs	548,506.17	-	548,506.17	-
Capital Projects	474,239.54	-	474,239.54	6,322.00
Food Service	258,157.01	-	258,157.01	3,780.00
Unrestricted	(14,114,668.93)	23,641.46	(14,091,027.47)	196,936.00
TOTAL NET POSITION	$ 66,508,374.18	$ 23,641.46	$ 66,532,015.64	$ 705,570.00

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, 2015

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	$ 21,893,404.89	$ 37,047.57	$ -	$ -
Student Personnel Services	2,467,687.70	-	-	-
Instructional Media Services	491,081.01	-	-	-
Instruction and Curriculum Development Services	526,564.59	-	-	-
Instructional Staff Training Services	472,885.01	-	-	-
Instruction Related Technology	255,960.85	-	-	-
Board	760,136.10	-	-	-
General Administration	480,490.26	-	-	-
School Administration	2,597,144.62	-	-	-
Facilities Acquisition and Construction	266,723.20	-	-	60,166.20
Fiscal Services	403,814.58	-	-	-
Food Services	2,179,475.26	484,661.95	1,497,113.44	-
Central Services	878,421.78	-	-	-
Student Transportation Services	3,026,761.75	-	1,600,424.00	-
Operation of Plant	4,216,811.88	-	-	-
Maintenance of Plant	979,519.93	-	157,550.00	-
Administrative Technology Services	117,696.29	-	-	-
Community Services	6,452.02	-	-	-
Unallocated Interest on Long-Term Debt	51,516.44	-	-	159,086.11
Unallocated Depreciation/Amortization Expense*	2,020,027.96	-	-	-
Total Governmental Activities	44,092,576.12	521,709.52	3,255,087.44	219,252.31
Business-Type Activities:				
Small School District Council Consortium	108,871.00	105,450.00	-	-
Total Primary Government	$ 44,201,447.12	$ 627,159.52	$ 3,255,087.44	$ 219,252.31
Component Unit				
Wakulla's Charter School of Arts, Science and Technology, Inc.	$ 1,359,700.00	$ 6,549.00	$ 355,548.00	$ 57,639.00

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 Position

Net Position - Beginning
Adjustment to Beginning Net Position
Net Position - Beginning, as Restated

Net Position - Ending

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

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
$ (21,856,357.32)	$ -	$ (21,856,357.32)	$ -
(2,467,687.70)	-	(2,467,687.70)	-
(491,081.01)	-	(491,081.01)	-
(526,564.59)	-	(526,564.59)	-
(472,885.01)	-	(472,885.01)	-
(255,960.85)	-	(255,960.85)	-
(760,136.10)	-	(760,136.10)	-
(480,490.26)	-	(480,490.26)	-
(2,597,144.62)	-	(2,597,144.62)	-
(206,557.00)	-	(206,557.00)	-
(403,814.58)	-	(403,814.58)	-
(197,699.87)	-	(197,699.87)	-
(878,421.78)	-	(878,421.78)	-
(1,426,337.75)	-	(1,426,337.75)	-
(4,216,811.88)	-	(4,216,811.88)	-
(821,969.93)	-	(821,969.93)	-
(117,696.29)	-	(117,696.29)	-
(6,452.02)	-	(6,452.02)	-
107,569.67	-	107,569.67	-
(2,020,027.96)	-	(2,020,027.96)	-
(40,096,526.85)	-	(40,096,526.85)	-
-	(3,421.00)	(3,421.00)	-
(40,096,526.85)	(3,421.00)	(40,099,947.85)	-
-	-	-	(939,964.00)
7,178,874.61	-	7,178,874.61	-
636,524.61	-	636,524.61	-
1,689,998.94	-	1,689,998.94	-
30,194,062.81	-	30,194,062.81	1,014,212.00
6,315.84	-	6,315.84	192.00
1,583,765.22	-	1,583,765.22	-
41,289,542.03	-	41,289,542.03	1,014,404.00
1,193,015.18	(3,421.00)	1,189,594.18	74,440.00
80,654,232.00	27,062.46	80,681,294.46	631,130.00
(15,338,873.00)	-	(15,338,873.00)	-
65,315,359.00	27,062.46	65,342,421.46	631,130.00
$ 66,508,374.18	$ 23,641.46	$ 66,532,015.64	$ 705,570.00

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

	General Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Other Fund
ASSETS			
Cash and Cash Equivalents	$ 3,445,066.76	$ 19.00	$ 982,769.36
Investments	-	-	-
Accounts Receivable	205,877.36	-	795,361.40
Due from Other Funds	210,807.63	-	124,601.19
Due from Other Agencies	318,949.56	73,969.69	55,563.31
Inventories	155,516.37	-	-
TOTAL ASSETS	$ 4,336,217.68	$ 73,988.69	$ 1,958,295.26
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	$ -	$ -	$ -
Payroll Deductions and Withholdings	10,220.86	-	-
Accounts Payable	261,215.75	-	-
Construction Contracts Payable	-	-	-
Construction Contracts Payable - Retainage	-	-	-
Due to Other Funds	-	73,988.69	162,879.31
Total Liabilities	271,436.61	73,988.69	162,879.31
Deferred Inflows of Resources:			
Unavailable Revenue - Litigation Settlement	204,638.60	-	795,361.40
Unavailable Revenue - Capital Outlay and Debt Service	-	-	-
Total Deferred Inflows of Resources	204,638.60	-	795,361.40
Fund Balances:			
Nonspendable:			
Inventories	155,516.37	-	-
Restricted for:			
State Required Carryover Programs	548,506.17	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Food Service	-	-	-
Total Restricted Fund Balance	548,506.17	-	-
Assigned for:			
School Operations	549,135.29	-	-
Capital Projects	-	-	1,000,054.55
Purchases on Order	192,639.00	-	-
Total Assigned Fund Balance	741,774.29	-	1,000,054.55
Unassigned Fund Balance	2,414,345.64	-	-
Total Fund Balances	3,860,142.47	-	1,000,054.55
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 4,336,217.68	$ 73,988.69	$ 1,958,295.26

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

Other Governmental Funds	Total Governmental Funds
$ 749,435.87	$ 5,177,290.99
10,275.22	10,275.22
-	1,001,238.76
-	335,408.82
114,504.11	562,986.67
110,281.12	265,797.49
$ 984,496.32	$ 7,352,997.95
$ 3,708.09	$ 3,708.09
350.78	10,571.64
16,872.23	278,087.98
102,002.30	102,002.30
11,333.59	11,333.59
98,540.82	335,408.82
232,807.81	741,112.42
-	1,000,000.00
9,016.74	9,016.74
9,016.74	1,009,016.74
110,281.12	265,797.49
-	548,506.17
10,275.22	10,275.22
474,239.54	474,239.54
147,875.89	147,875.89
632,390.65	1,180,896.82
-	549,135.29
-	1,000,054.55
-	192,639.00
-	1,741,828.84
-	2,414,345.64
742,671.77	5,602,868.79
$ 984,496.32	$ 7,352,997.95

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

Total Fund Balances - Governmental Funds		$ 5,602,868.79
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		80,338,082.59
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.		(20,887.14)
Funds due from other agencies are not available to pay for current period expenditures, and, therefore, are reported as unavailable revenue on the governmental fund statements.		
Unavailable Revenue - Litigation Settlement	$ 1,000,000.00	
Unavailable Revenue - Capital Outlay and Debt Service	9,016.74	1,009,016.74
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	367,000.00	
Installment-Purchase Payable	628,942.20	
Compensated Absences Payable	2,342,830.60	
Other Postemployment Benefits Payable	2,577,007.00	
Net Pension Liability	11,273,273.00	(17,189,052.80)
Deferred outflows and inflows of resources related to the cost-sharing pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred Outflows Related to Pensions	3,628,160.00	
Deferred Inflows Related to Pensions	(6,859,814.00)	(3,231,654.00)
Net Position - Governmental Activities		$ 66,508,374.18

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, 2015

	General Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 99,881.33	$ -	$ -
Federal Through State and Local	634,478.40	174,204.76	-
State	28,003,965.15	-	379,496.19
Local:			
Property Taxes	7,178,874.61	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	535,964.66	-	-
Total Local Revenues	7,714,839.27	-	-
Total Revenues	36,453,164.15	174,204.76	379,496.19
Expenditures			
Current - Education:			
Instruction	20,481,624.99	57,252.96	-
Student Personnel Services	2,207,885.47	-	-
Instructional Media Services	494,877.98	-	-
Instruction and Curriculum Development Services	477,873.75	-	-
Instructional Staff Training Services	177,322.63	19,911.94	-
Instruction Related Technology	262,042.85	-	-
Board	763,343.43	-	-
General Administration	375,685.58	-	-
School Administration	2,649,860.61	-	-
Facilities Acquisition and Construction	170,762.51	-	70,439.97
Fiscal Services	396,530.37	-	-
Food Services	34,099.10	-	-
Central Services	838,546.84	643.00	-
Student Transportation Services	2,816,016.25	-	-
Operation of Plant	4,252,707.65	-	-
Maintenance of Plant	980,639.28	-	-
Administrative Technology Services	118,496.89	-	-
Community Services	6,590.50	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	48,348.18	-	641,272.01
Other Capital Outlay	232,813.85	96,396.86	-
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	37,786,068.71	174,204.76	711,711.98
Excess (Deficiency) of Revenues Over Expenditures	(1,332,904.56)	-	(332,215.79)
Other Financing Sources (Uses)			
Transfers In	667,550.00	-	18,621.34
Proceeds from Sale of Refunding Bonds	-	-	-
Premium on Sale of Refunding Bonds	-	-	-
Payments to Refunding Escrow Agent	-	-	-
Insurance Loss Recoveries	62,737.77	-	-
Transfers Out	(36,630.08)	-	(57,639.00)
Total Other Financing Sources (Uses)	693,657.69	-	(39,017.66)
Net Change in Fund Balances	(639,246.87)	-	(371,233.45)
Fund Balances, Beginning	4,479,113.05	-	1,371,288.00
Increase in Nonspendable Inventory	20,276.29	-	-
Fund Balances, Ending	$ 3,860,142.47	$ 0.00	$ 1,000,054.55

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

Other Governmental Funds	Total Governmental Funds
$ -	$ 99,881.33
4,036,096.07	4,844,779.23
317,280.63	28,700,741.97
2,326,523.55	9,505,398.16
484,661.95	484,661.95
2,601.87	538,566.53
2,813,787.37	10,528,626.64
7,167,164.07	44,174,029.17
1,827,740.63	22,366,618.58
260,547.71	2,468,433.18
449.10	495,327.08
61,721.61	539,595.36
273,768.07	471,002.64
-	262,042.85
-	763,343.43
103,871.36	479,556.94
-	2,649,860.61
25,043.98	266,246.46
-	396,530.37
2,156,057.40	2,190,156.50
5,889.43	845,079.27
7,404.96	2,823,421.21
-	4,252,707.65
-	980,639.28
-	118,496.89
-	6,590.50
486,481.55	1,176,101.74
362,598.23	691,808.94
941,290.20	941,290.20
60,986.47	60,986.47
6,573,850.70	45,245,836.15
593,313.37	(1,071,806.98)
36,630.08	722,801.42
292,000.00	292,000.00
27,706.41	27,706.41
(325,767.83)	(325,767.83)
-	62,737.77
(628,532.34)	(722,801.42)
(597,963.68)	56,676.35
(4,650.31)	(1,015,130.63)
747,322.08	6,597,723.13
-	20,276.29
$ 742,671.77	$ 5,602,868.79

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, 2015

Net Change in Fund Balances - Governmental Funds			$ (1,015,130.63)
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlay in the current fiscal year.			(422,072.63)
Donated capital assets are reported as revenue in the statement of activities but do not provide current financial resources and therefore are not reported in the governmental funds.			22,869.04
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceed proceeds in the current fiscal year.			
	Installment-Purchase Principal Payments	$ 201,290.20	
	Bond Principal Repayments	740,000.00	
	Refunding Bond Issued	(292,000.00)	
	Bonds Defeased	315,000.00	964,290.20
Accrued interest expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. This is the decrease in accrued interest during the current fiscal year.			
	Accrued Interest 2014-15 Fiscal Year	20,887.14	
	Accrued Interest 2013-14 Fiscal Year	(29,683.04)	8,795.90
Certain funds due from other agencies are not available, and therefore, not recognized as revenue in the governmental fund statements. However, funds are recognized as revenue under the full accrual basis of accounting in the Statement of Activities.			
	Capital Outlay and Debt Service	9,016.74	
	Litigation Settlement	1,000,000.00	1,009,016.74
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year.			2,647.27
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.			(231,623.00)
Governmental funds report district pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.			
	FRS Pension Contribution	1,562,459.00	
	HIS Pension Contribution	304,282.00	
	FRS Pension Expense	(510,825.00)	
	HIS Pension Expense	(521,970.00)	833,946.00
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.			20,276.29
Change in Net Position - Governmental Activities			$ 1,193,015.18

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

Wakulla County District School Board
Statement of Net Position – Proprietary Fund
June 30, 2015

	Business-Type Activities - Nonmajor Enterprise Fund
	Small School District Council Consortium
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 26,529.86
Due From Other Agencies	5,700.00
TOTAL ASSETS	32,229.86
LIABILITIES	
Current Liabilities:	
Accounts Payable	8,588.40
NET POSITION	
Unrestricted	$ 23,641.46

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 Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	Business-Type Activities Nonmajor Enterprise Fund
	Small School District Council Consortium
OPERATING REVENUES	
Charges for Services	$ 105,450.00
OPERATING EXPENSES	
Purchased Services	108,871.00
Operating Loss	(3,421.00)
Total Net Position - Beginning	27,062.46
Total Net Position - Ending	$ 23,641.46

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, 2015

		Business-Type Activities - Nonmajor Enterprise Fund
		Small School District Council Consortium
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Services	$	99,750.00
Cash Payments to Suppliers for Goods and Services		(100,814.10)
Net Cash Used by Operating Activities		(1,064.10)
Cash and Cash Equivalents, Beginning		27,593.96
Cash and Cash Equivalents, Ending	$	26,529.86

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

Operating Loss	$	(3,421.00)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Changes in Assets and Liabilities:		
Increase in Due From Other Agencies		(5,700.00)
Increase in Accounts Payable		8,056.90
Total Adjustments		2,356.90
Net Cash Used by Operating Activities	$	(1,064.10)

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, 2015

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 606,624.00
LIABILITIES	
Internal Accounts Payable	$ 606,624.00

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external customers for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Wakulla County School District's (District) governmental activities and for each segment of the business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the student transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The 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 District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of 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 legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading. Based on 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 District's component unit. A separate column is used to emphasize that it is legally separate from the District.

Wakulla's Charter School of Arts, Science and Technology, Inc. is a 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 Board. The charter school is considered to be a component unit of the District because the District is financially accountable for the charter school as the District established the charter school by approval of the charter, which is tantamount to the initial appointment of the charter school, and there is the potential for the charter school to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter school is a public school and the District is responsible for the operation, control, and supervision of public schools within the District.

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, 2015. The audit report is filed in the District's administrative offices located at 69 Arran Road, Crawfordville, Florida, 32327.

C. Basis of Presentation: Government-wide Financial Statements

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

The effects of interfund activity have been eliminated from the government-wide financial statements except for interfund services provided and used.

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Other Fund – to account for various financial resources generated by various State and local sources to be used for educational capital outlay needs, including new construction, and renovation and remodeling projects.

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

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

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in business-type activities (i.e., the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of

long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

The charter school is accounted for as a governmental organization and follows the same accounting model as the District's governmental activities.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of 3 months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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

2. Investments

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys and amounts placed with the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

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

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

3. Inventories

Inventories 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 food service inventories are recorded as expenditures when used rather than purchased. The costs of transportation inventories are recorded as expenditures at the time of purchase, and the reported inventories

are equally offset by a nonspendable fund balance which indicates they do not constitute "available spendable resources."

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $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.

Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

Description	Estimated Useful 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
Audio Visual Materials and Computer Software	5 – 7 years

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

5. Pensions

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

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

6. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

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

7. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position and the governmental fund balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has several items that qualify for reporting as deferred inflows of resources. The first is the deferred amount on pension reported only in the government-wide statement of net position. A deferred amount on pension results from the difference in the expected and actual amounts of experience, earnings, and contributions. This amount is deferred and amortized over the service life of all employees that are provided with pensions through the pension plan except earnings which are amortized over 5 years. The remaining items are unavailable revenue from a legal settlement and from the State of Florida for Capital Outlay and Debt service. These items arise only under a modified accrual basis of accounting and are reported only in the governmental fund balance sheet.

8. Net Position Flow Assumption

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District did not have any committed fund balances at June 30, 2015.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has by Board Resolution 11/12-01 authorized the Superintendent, or his designee, to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the FDOE under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the FDOE. The FDOE performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of 5 months following the date of the original reporting. Such amendments may impact funding allocations for

subsequent fiscal years. The FDOE may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the fiscal year when the adjustments are made.

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

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

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

3. District Property Taxes

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

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

The Board adopted the 2014 tax levy on September 8, 2014. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

4. Federal Revenue Sources

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

5. Compensated Absences

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

6. Proprietary Fund Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for services relating to the Small School District Council Consortium. Operating expenses include purchased services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. ACCOUNTING CHANGE

Governmental Accounting Standards Board Statement No. 68. The District participates in the FRS defined benefit pension plan and the HIS defined benefit plan administered by Florida Division of Retirement. As a participating employer, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the District was decreased by $15,338,873 due to the adoption of this Statement.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

Cash balances from all funds are combined and invested to extent available. Earnings are allocated monthly to each fund balance on average daily balances.

B. Investments

As of June 30, 2015, the District had the following investments:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	34 Day Average	$ 4,964,820.94
Debt Service Accounts	6 Months	10,275.22
Total Investments, Primary Government		$ 4,975,096.16

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 uses a weighted average days to maturity (WAM) of 34 days at June 30, 2015. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy does not limit its investment choices.

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

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

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 3,501,421.43	$ -	$ -	$ 3,501,421.43
Land Improvements	6,752.00	-	-	6,752.00
Construction in Progress	256,990.60	194,793.39	256,990.60	194,793.39
Total Capital Assets Not Being Depreciated	3,765,164.03	194,793.39	256,990.60	3,702,966.82
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,555,765.01	48,348.18	-	4,604,113.19
Buildings and Fixed Equipment	94,513,909.74	1,189,950.77	448,569.82	95,255,290.69
Furniture, Fixtures, and Equipment	4,654,084.07	515,709.98	144,151.99	5,025,642.06
Motor Vehicles	5,734,449.74	198,968.00	98,677.00	5,834,740.74
Audio Visual Materials and Computer Software	271,091.70	-	-	271,091.70
Total Capital Assets Being Depreciated	109,729,300.26	1,952,976.93	691,398.81	110,990,878.38
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,662,986.84	120,543.95	-	2,783,530.79
Buildings and Fixed Equipment	23,069,020.83	1,605,229.96	448,569.82	24,225,680.97
Furniture, Fixtures, and Equipment	3,372,399.12	287,583.19	144,151.99	3,515,830.32
Motor Vehicles	3,415,177.55	269,955.35	98,677.00	3,586,455.90
Audio Visual Materials and Computer Software	237,593.77	6,670.86	-	244,264.63
Total Accumulated Depreciation	32,757,178.11	2,289,983.31	691,398.81	34,355,762.61
Total Capital Assets Being Depreciated, Net	76,972,122.15	(337,006.38)	-	76,635,115.77
Governmental Activities Capital Assets, Net	$ 80,737,286.18	$ (142,212.99)	$ 256,990.60	$ 80,338,082.59

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	$ 269,955.35
Unallocated	2,020,027.96
Total Depreciation Expense - Governmental Activities	$ 2,289,983.31

D. Retirement Plans

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

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The District's pension expense totaled $1,032,795 for the fiscal year ended June 30, 2015.

FRS Pension Plan

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement

date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

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

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

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

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

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.
(2) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan totaled $1,562,459 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a liability of $3,965,096 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.064985936 percent, which was an increase of 0.004981126 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the Plan pension expense of $510,825. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 245,372
Change of assumptions	686,689	-
Net difference between projected and actual earnings on FRS pension plan investments	-	6,614,442
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	721,367	-
District FRS contributions subsequent to the measurement date	1,562,459	-
Total	$ 2,970,515	$ 6,859,814

The deferred outflows of resources related to pensions, totaling $1,562,459, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as

deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ (1,434,236)
2017	(1,434,236)
2018	(1,434,236)
2019	(1,434,236)
2020	219,374
Thereafter	65,812
Total	$ (5,451,758)

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

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

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

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

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

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

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

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

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	$ 16,959,250	$ 3,965,096	$ (6,843,557)

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

HIS Pension Plan

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

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

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

The District's contributions to the HIS Plan totaled $304,282 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2015, the District reported a net pension liability of $7,308,177 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.078160280 percent, which was an increase of 0.001197819 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the HIS Plan pension expense of $521,970. In addition, the District reported deferred outflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources
Differences between expected and actual experience	$ -
Change of assumptions	260,054
Net difference between projected and actual earnings on HIS pension plan investments	3,507
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	89,802
District contributions subsequent to the measurement date	304,282
Total	$ 657,645

The deferred outflows of resources, totaling $304,282, was related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ 57,305
2017	57,305
2018	57,305
2019	57,305
2020	56,428
Thereafter	67,714
Total	$ 353,362

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

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

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

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

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

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

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

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
District's proportionate share of the net pension liability	$ 8,312,459	$ 7,308,177	$ 6,469,888

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

2. FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Elected County Officers	11.34

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

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

The District's Investment Plan pension expense totaled $166,723.31 for the fiscal year ended June 30, 2015.

E. Other Postemployment Benefit Obligations

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

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2014-15 fiscal year, 201 retirees received postemployment life and 18 retirees received postemployment healthcare

benefits. The District provided required contributions of $225,174 toward the annual OPEB cost, net of retiree contributions totaling $150,103, which represents 0.6 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the District's net OPEB obligation:

Description	Amount
Normal Cost (service cost for 1 year)	$ 158,985
Amortization of Unfunded Actuarial Accrued Liability	430,113
Annual Required Contribution	589,098
Interest on Net OPEB Obligation	80,916
Adjustment to Annual Required Contribution	(213,217)
Annual OPEB Cost (Expense)	456,797
Contribution Toward the OPEB Cost	(225,174)
Increase in Net OPEB Obligation	231,623
Net OPEB Obligation, Beginning of Year	2,345,384
Net OPEB Obligation, End of Year	$2,577,007

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012-13	$ 392,713	46.3%	$ 2,126,216
2013-14	403,790	45.7%	2,345,384
2014-15	456,797	49.3%	2,577,007

Funded Status and Funding Progress. As of October 1, 2014, the most recent valuation date, the actuarial accrued liability for benefits was $4,651,679, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $4,651,679 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $23,705,183, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 19.62 percent

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends.

Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The District's OPEB actuarial valuation as of October 1, 2014 used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2015, and to estimate the District's 2014-15 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.45 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.45 percent per year, projected salary increases of 4 to 7.8 percent, and an annual healthcare cost trend rate of 7.5 percent initially beginning October 1, 2014, reduced to an ultimate rate of 4.24 percent beginning October 1, 2040. The investment rate of return and projected salary increase rates include a general price inflation of 2.5 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2015, was 11 years.

F. Construction and Other Significant Commitments

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

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

Major Funds				
General	Special Revenue - Federal Economic Stimulus	Capital Projects - Other	Nonmajor Governmental Funds	Total Governmental Funds
$ 192,639	$ 264,174	$ 395,177	$ 501,812	$ 1,353,802

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

Project	Contract Amount	Completed to Date	Balance Committed
Wakulla High School Gym and Track Renovations			
Architect	$ 56,000.00	$ 44,800.00	$ 11,200.00
Contractor	870,400.00	113,335.89	757,064.11
Total	$ 926,400.00	$ 158,135.89	$ 768,264.11

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The 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, employee dishonesty, equipment breakdown 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.

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

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

H. Installment-Purchase Payable

The class and amount of property being acquired under installment-purchase is as follows:

	Asset Balance
School Buses	$ 1,046,720

Future minimum installment-purchase payments and the present value of the minimum installment-purchase payments as of June 30 are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2016	$ 218,310.00	$ 205,416.70	$ 12,893.30
2017	218,310.00	209,627.70	8,682.30
2018	218,310.00	213,897.80	4,412.20
Total Installment-Purchase Payments	$ 654,930.00	$ 628,942.20	$ 25,987.80

The stated interest rate is 2.05 percent.

I. Long-Term Liabilities

1. Bonds Payable

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2009A, Refunding	$ 75,000	5.0	2019
Series 2014B, Refunding	292,000	2.0 - 5.0	2020
Total Bonds Payable	$ 367,000		

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2016	$ 123,137.72	$ 104,000.00	$ 19,137.72
2017	117,790.00	105,000.00	12,790.00
2018	122,540.00	115,000.00	7,540.00
2019	32,790.00	31,000.00	1,790.00
2020	12,240.00	12,000.00	240.00
Total State School Bonds	$ 408,497.72	$ 367,000.00	$ 41,497.72

2. Defeased Debt

The FDOE issued Capital Outlay Refunding Bonds, Series 2014B, dated December 2, 2014, with an average interest rate of 5 percent, to refund callable portions of the District's State School Bonds, Series 2005B that mature on or after January 1, 2015, including District bonds totaling $315,000. The District's pro rata share of net proceeds totaling $292,000 (after deduction of $501.08 in issuance costs and underwriting fees plus an additional $6,562.50 of Series 2014B sinking fund moneys) were placed in an irrevocable trust to provide for future debt service payments on the Series 2014B. As a result, $315,000 of the Series 2005B bonds are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements.

3. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	$ 1,130,000.00	$ 292,000.00	$ 1,055,000.00	$ 367,000.00	$ 104,000.00
Installment-Purchases Payable	830,232.40	-	201,290.20	628,942.20	205,416.70
Compensated Absences Payable	2,345,477.87	313,256.06	315,903.33	2,342,830.60	229,103.20
Other Postemployment Benefits Payable	2,345,384.00	456,797.00	225,174.00	2,577,007.00	-
Net Pension Liability (1)	17,030,092.00	2,790,707.00	8,547,526.00	11,273,273.00	245,338.00
Total Governmental Activities	$23,681,186.27	$3,852,760.06	$ 10,344,893.53	$ 17,189,052.80	$ 783,857.90

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

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

J. Fund Balance Reporting

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

- **Nonspendable Fund Balance**. Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance**. Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.
- **Unassigned Fund Balance**. The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

K. Interfund Receivables and Payables

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 210,807.63	$ -
Special Revenue:		
Federal Economic Stimulus	-	73,988.69
Capital Projects:		
Other	124,601.19	162,879.31
Nonmajor Governmental	-	98,540.82
Total	$ 335,408.82	$ 335,408.82

These balances occurred during the normal course of District operations representing temporary advances. These amounts are expected to be repaid within 1 year.

L. Revenues

1. Schedule of State Revenue Sources

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

Source	Amount
Florida Education Finance Program	$ 22,033,769.00
Categorical Educational Program - Class Size Reduction	5,368,773.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	194,844.39
Workforce Development Program	174,384.00
School Recognition	106,714.00
Gross Receipts Tax (Public Education Capital Outlay)	99,911.00
Voluntary Prekindergarten Program	98,172.61
Charter School Capital Outlay	57,639.00
Miscellaneous	566,534.97
Total	$ 28,700,741.97

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

2. Property Taxes

The following is a summary of millages and taxes levied on the 2014 tax roll for the 2014-15 fiscal year:

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	5.124	$5,983,890.87
Basic Discretionary Local Effort	0.748	873,526.61
Voted School Tax:		
Additional Operating	0.500	583,908.16
Debt Service - District Bonds Fund		
Voted Tax:		
Special Tax School District No. 1	0.565	659,816.23
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,751,724.49
Total	8.437	$9,852,866.36

M. Interfund Transfers

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

	Interfund	
Funds	**Transfers In**	**Transfers Out**
Major:		
General	$ 667,550.00	$ 36,630.08
Capital Projects:		
Other	18,621.34	57,639.00
Nonmajor Governmental	36,630.08	628,532.34
Total	$ 722,801.42	$ 722,801.42

The purpose of the interfund transfers were related to the transfer of charter school capital outlay funds and capital outlay taxes for maintenance, repair, and renovation expenditures of the General Fund. Also, a transfer was made to the nonmajor Special Revenue - Food Service Fund to satisfy minimum school lunch price requirements under the National School Lunch Program.

IV. CONSORTIUM

The District is a member of, and the fiscal agent for, the Small School District Council Consortium (Consortium). The Consortium 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 Consortium's resources and operations.

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 75,000.00	$ 75,000.00	$ 99,881.33	$ 24,881.33
Federal Through State and Local	520,506.00	476,150.82	634,478.40	158,327.58
State	28,066,560.00	28,034,975.33	28,003,965.15	(31,010.18)
Local:				
Property Taxes	7,067,628.00	7,067,628.00	7,178,874.64	111,246.64
Miscellaneous	414,000.00	441,603.09	535,964.63	94,361.54
Total Local Revenues	7,481,628.00	7,509,231.09	7,714,839.27	205,608.18
Total Revenues	36,143,694.00	36,095,357.24	36,453,164.15	357,806.91
Expenditures				
Current - Education:				
Instruction	21,543,705.62	21,140,612.88	20,481,624.99	658,987.89
Student Personnel Services	2,183,143.16	2,211,371.31	2,207,885.47	3,485.84
Instructional Media Services	532,614.05	532,414.05	494,877.98	37,536.07
Instruction and Curriculum Development Services	527,065.03	478,988.89	477,873.75	1,115.14
Instructional Staff Training Services	213,534.20	239,195.83	177,322.63	61,873.20
Instruction Related Technology	216,005.88	266,005.88	262,042.85	3,963.03
Board	568,577.37	768,577.37	763,343.43	5,233.94
General Administration	305,935.31	384,731.46	375,685.58	9,045.88
School Administration	2,561,927.85	2,664,219.43	2,649,860.61	14,358.82
Facilities Acquisition and Construction	390,068.80	249,292.38	170,762.51	78,529.87
Fiscal Services	389,983.10	401,121.56	396,530.37	4,591.19
Food Services	5,875.44	40,875.44	34,099.10	6,776.34
Central Services	673,609.98	847,177.66	838,546.84	8,630.82
Student Transportation Services	3,061,551.38	2,956,791.17	2,816,016.25	140,774.92
Operation of Plant	4,491,755.84	4,452,098.40	4,252,707.65	199,390.75
Maintenance of Plant	1,000,218.06	981,638.23	980,639.28	998.95
Administrative Technology Services	231,292.78	181,292.78	118,496.89	62,795.89
Community Services	6,750.00	6,750.00	6,590.50	159.50
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	48,348.18	48,348.18	-
Other Capital Outlay	-	232,813.85	232,813.85	-
Total Expenditures	38,903,613.85	39,084,316.75	37,786,068.71	1,298,248.04
Deficiency of Revenues Over Expenditures	(2,759,919.85)	(2,988,959.51)	(1,332,904.56)	1,656,054.95
Other Financing Sources (Uses)				
Transfers In	676,103.00	676,103.00	667,550.00	(8,553.00)
Proceeds from Sale of Capital Assets	30,000.00	30,000.00	-	(30,000.00)
Insurance Loss Recoveries	-	-	62,737.77	62,737.77
Transfers Out	(30,000.00)	(40,000.00)	(36,630.08)	3,369.92
Total Other Financing Sources	676,103.00	666,103.00	693,657.69	27,554.69
Net Change in Fund Balances	(2,083,816.85)	(2,322,856.51)	(639,246.87)	1,683,609.64
Fund Balances, Beginning	4,479,113.05	4,479,113.05	4,479,113.05	-
Increase in Nonspendable Inventory	-	-	20,276.29	20,276.29
Fund Balances, Ending	$ 2,395,296.20	$ 2,156,256.54	$ 3,860,142.47	$ 1,703,885.93

Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ -	$ -	$ -	$ -
9,229.99	201,876.99	174,204.76	(27,672.23)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
9,229.99	201,876.99	174,204.76	(27,672.23)
-	57,487.14	57,252.96	234.18
-	1,500.00	-	1,500.00
-	-	-	-
-	-	-	-
9,229.99	45,086.99	19,911.94	25,175.05
-	-	-	-
-	-	-	-
-	763.00	-	763.00
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	643.00	643.00	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	96,396.86	96,396.86	-
9,229.99	201,876.99	174,204.76	27,672.23
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 0.00	$ 0.00	$ 0.00	$ 0.00

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
October 1, 2010	$ -	$ 3,399,950	$ 3,399,950	0%	$ 15,045,711	22.6%
October 1, 2012	-	3,931,963	3,931,963	0%	24,311,735	16.2%
October 1, 2014	-	4,651,679	4,651,679	0%	23,705,183	19.6%

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

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

	2014	2013
District's proportion of the net pension liability	0.064985936%	0.060004810%
District's proportionate share of the net pension liability	$ 3,965,096	$ 10,329,498
District's covered-employee payroll	$ 21,149,066	$ 20,266,611
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	18.75%	50.97%
Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

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

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

	2015	2014
Contractually required contribution	$ 1,562,459	$ 1,423,468
Contributions in relation to the contractually required contribution	(1,562,459)	(1,423,468)
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 21,887,140	$ 21,149,066
Contributions as a percentage of covered-employee payroll	7.14%	6.73%

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

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

	2014	2013
District's proportion of the net pension liability	0.078160280%	0.076962461%
District's proportionate share of the net pension liability	$ 7,308,177	$ 6,700,594
District's covered-employee payroll	$ 23,224,220	$ 22,357,945
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	31.47%	29.97%
Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

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

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

	2015	2014
Contractually required contribution	$ 304,282	$ 267,751
Contributions in relation to the contractually required contribution	(304,282)	(267,751)
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 24,149,326	$ 23,224,220
Contributions as a percentage of covered-employee payroll	1.26%	1.15%

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

1. Budgetary Basis of Accounting

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, student transportation services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

2. Schedule of Funding Progress – Other Postemployment Benefits Plan

The October 1, 2014, unfunded actuarial accrued liability of $4,651,679 was significantly higher than the October 1, 2012, liability of $3,931,963 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- *Population Changes*: The number of retirees currently receiving post-employment health benefits through the District core plan decreased from 33 in the previous valuation to 18 this year. At the same time, the number of active employees eligible for future post-employment benefits increased from 428 to 445. This change had an increasing effect on cost and liability.
- *Initial Cost of Coverage*: The total cost of coverage increased from $761 per employee per month (as expected from the October 1, 2012 valuation) to $839 per employee per month for year beginning October 1, 2014, which is lower than the projected $892 per employee per month. This change decreased cost and liability.
- *Medical Trend Assumptions*: Revisions were made in the assumed trend of medical and prescription cost increases. In the October 1, 2012 valuation, the trends for costs and premiums were assumed to be 7.5 percent for the year beginning October 1, 2015, with rates decreasing 0.5 percent each year thereafter to the ultimate value of 5 percent. The trends for costs and premiums were revised to 7.5 percent then declining over a 25-year period to the ultimate value of 4.24 percent, decreasing cost and liability.
- *Reflecting Provisions of the Affordable Care Act*: Revisions were made in the assumed increase in the cost of coverage due to the Excise Tax on High-Cost Employer Health Plans. In the October 1, 2012 valuation, it was estimated that the excise tax would result in a 0.41 percent increase in the cost of coverage for the plan year 2031 and all subsequent years. The estimates in the cost of coverage were revised to reflect a 0.38 percent increase in the cost of coverage for the plan year 2029, and all subsequent years. This change has the effect of increasing cost and liability.
- *Retiree Medical Coverage Assumptions:* Revisions were made to the assumed rate of coverage acceptance and continuation. In the previous valuation, it was assumed that 50 percent of retiring

employees under the age of 65 would elect to continue medical coverage through the District's plan. It is now estimated that 45 percent of employees will elect to keep the coverage upon retirement, decreasing cost and liability.

- *Discount Rate Assumptions*: The discount rate used in valuing future cash flows increased from 3.4 percent to 3.45 percent, decreasing cost and liability.

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

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

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass -Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	14002	$ 324,940.37	$ -
National School Lunch Program	10.555 (2)	14001, 14003	1,150,764.38	-
Total Child Nutrition Cluster			1,475,704.75	-
Florida Department of Financial Services:				
Schools and Roads - Grants to States	10.665	None	144,651.71	-
Total United States Department of Agriculture			1,620,356.46	-
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027 (3)	263	1,315,275.40	20,000.00
Special Education - Preschool Grants	84.173	267	47,668.12	-
University of South Florida:				
Special Education - Grants to States	84.027 (3)	None	91,500.80	-
Putnam County District School Board:				
Special Education - Grants to States	84.027 (3)	None	382.08	-
Leon County District School Board:				
Special Education - Grants to States	84.027 (3)	None	24,009.02	-
Total Special Education Cluster			1,478,835.42	20,000.00
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	62,231.59	-
Title I Grants to Local Education Agencies	84.010	212, 226	851,407.96	84,992.38
Career and Technical Education - Basic Grants to States	84.048	161	102,318.31	-
Improving Teacher Quality State Grants	84.367	224	181,489.94	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RA111, RA211, RG311, RL111	174,204.76	-
Total United States Department of Education			2,850,487.98	104,992.38
United States Department of Health and Human Services:				
Indirect:				
North Florida Child Development Inc.:				
Head Start	93.600	None	87,048.00	-
United States Department of Homeland Security:				
Indirect:				
Florida Department of Education:				
Homeland Security Grant Program	97.067	532	129,543.18	-
United States Department of Defense:				
Direct:				
Navy Junior Reserve Officers Training Corps	None	N/A	99,881.33	-
Total Expenditures of Federal Awards			$ 4,787,316.95	$ 104,992.38

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 Schol Lunch Program. Includes $127,279.22 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Special Education - Grants to States. Total CFDA No. 84.027 expenditures: $1,431,167.30.

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

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

Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 21, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the District'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 of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or

detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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 Findings

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as management's response. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman, CPA
Tallahassee, Florida
January 21, 2016

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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for the Major Federal Program

We have audited the Wakulla County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major Federal program for the fiscal year ended June 30, 2015. The District's major Federal program is identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major Federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Respectfully submitted,

Sherrill F. Norman, CPA
Tallahassee, Florida
January 21, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
CFDA Numbers: 84.027 and 84.173	Name of Federal Program or Cluster: Special Education Cluster
Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

ADDITIONAL MATTERS

Finding 1: Background Screenings

State law[1] requires that each person hired or contracted to serve in an instructional or noninstructional capacity that requires direct contact with students undergo background screenings. In addition, State law[2] provides that instructional and noninstructional employees who are permitted access on school grounds when students are present or who have direct contact with students must undergo a level 2 background screening[3] at least once every 5 years. To promote compliance with the statutory background screening requirement, District procedures require employees who have access to school grounds to undergo required background screenings.

During the 2014-15 fiscal year, the District employed 486 instructional and 405 noninstructional personnel. To determine whether required background screenings had been performed timely for these employees, we examined District records, as of November 2015, for 90 employees.[4] We found that the required background screenings had not been performed at least once in the past 5 years for 4 of the 90 selected employees. District records indicated that the date of the most recent background screening for 1 employee was September 2007 (over 8 years ago), and no background screenings had been performed for the 3 remaining employees, each of whom had been employed with the District for over 10 years. Subsequent to our inquiry, the District obtained the level 2 background screenings for these 4 employees and noted no inappropriate background information. District personnel indicated that the background screenings had not been performed primarily because of oversights.

Absent effective controls to ensure that required background screenings are timely performed, there is an increased risk that employees with unsuitable backgrounds may have direct contact with students.

Recommendation: The District should take immediate action to identify employees who have not obtained the required background screenings, ensure the screenings are promptly obtained and evaluated, and make decisions, as necessary, based on evaluations of the screenings. We also recommend that, in the future, the District ensure that required background screenings are timely performed for District employees.

Finding 2: Adult General Education Classes

State law[5] defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and Laws of Florida[6] proviso language requires each school district report enrollment for adult

[1] Section 1012.32(2), Florida Statutes.

[2] Sections 1012.56(10) and 1012.465, Florida Statutes.

[3] A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the Florida Department of Law Enforcement and national criminal history records checks through the Federal Bureau of Investigation.

[4] The 90 selected employees included 58 instructional and 32 noninstructional employees.

[5] Section 1004.02(3), Florida Statutes.

[6] Chapter 2014-51, Laws of Florida, Specific Appropriations 13 and 122.

general education programs identified in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.[7]

FDOE procedures state that fundable instructional contact 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. The procedures also require school districts to develop a procedure for withdrawing students for nonattendance and provide that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance. There is also a minimum enrollment threshold of 12 hours of attendance for each program that must be met before a student can be counted for funding purposes.

The District reported 12,527 instructional contact hours for the 2014-15 fiscal year for 393 adult general education classes provided to 60 students. As part of our audit, we reviewed 1,034 reported hours for 26 students enrolled in 30 adult general education classes. We found instructional contact hours were over reported a total of 226 hours for 9 of the 60 students because, according to District personnel, the District's information system miscalculated the hours reported. The full extent of the class hours misreported was not readily available.

Since future funding may be based, in part, on enrollment data reported to the FDOE, it is important that the District report accurate data. Similar findings were noted in our report Nos. 2014-134 and 2015-131.

Recommendation: The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The District should also determine to what extent the adult general education hours were misreported for the 2014-15 fiscal year and contact the FDOE for proper resolution.

Finding 3: Virtual Instruction Program Options

State law[8] requires that the District, because it is located in a sparsely populated county eligible for special funding pursuant to State law,[9] provide students the option of participating in part-time and full-time virtual instruction within the District's virtual instruction program (VIP). District records evidenced that the District provided all students the opportunity to participate in full-time virtual instruction; however, the District did not provide any students the opportunity to participate in part-time virtual instruction for the 2014-15 fiscal year or provide students in kindergarten through grade 5 the opportunity to participate in part-time virtual instruction for the 2015-16 fiscal year.

District personnel indicated that the District satisfied State law because the Florida Virtual School (FLVS) offers part-time virtual instruction to all students in Wakulla County; however, the FLVS part-time virtual instruction offerings did not relieve the District of its responsibility to offer students part-time virtual instruction. A similar finding was noted in our report No. 2015-131.

Recommendation: The District should improve procedures to ensure part-time virtual instruction is offered to all students.

[7] FDOE-issued Memorandum No. 06-14, dated May 15, 2006, *Reporting Procedures for Adult General Education Enrollments*.

[8] Section 1002.45(1)(b), Florida Statutes.

[9] Section 1011.62(7), Florida Statutes.

Finding 4: Information Technology – Disaster Recovery Plan

The availability and reliability of the District computing infrastructure is critical to successful District operations. Accordingly, it is essential that the District maintain an effective disaster recovery plan to help minimize data and asset loss in the event of a major hardware failure, system failure, or data center outage. A disaster recovery plan should identify critical applications to be restored, identify the backup and storage of critical data files, identify an alternate processing facility that is geographically separated by distance from the primary data center so as not to be susceptible to the same hazards, and provide a step by step plan for recovery, including identification of staff responsible for recovery activities. In addition, the plan elements should be tested periodically to disclose any areas not addressed and to facilitate proper conduct in an actual disruption of information technology (IT) operations.

The District participated in the Panhandle Area Educational Consortium (PAEC) and obtains certain IT services, such as financial, payroll, student records, and other critical applications, from the Northwest Regional Data Center (NWRDC). The District, PAEC, and other PAEC member districts entered into a disaster recovery cooperative agreement whereby to access the NWRDC in the event of a disaster that interrupts critical IT operations member districts agreed to serve as alternate-processing sites for each other. The District prepared an IT disaster recovery plan that contained provisions for backups for critical on-site systems and general provisions for the protection and shutdown of computer hardware and equipment; however, the plan lacked the specific processes and procedures to be followed when the NWRDC is inoperable.

Given the importance of the provider services to District operations, it is essential for the District to ensure continuity of these services in the event of a disaster. Without a detailed plan for recovery, there is an increased risk that the District may be unable to continue critical operations, or maintain availability of data and IT resources, in the event of a disruption of operations. Similar findings were noted in our report Nos. 2014-134 and 2015-131.

Recommendation: The District should update its disaster recovery plan to include the specific processes and procedures to follow when the NWRDC is inoperable.

Finding 5: Information Technology – Security Incident Response Plan

IT 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, provisions for a team trained in incident response, notification to affected parties, and periodic review of critical system resources to ensure continued integrity, and incident analysis and assessment of additional actions needed.

District IT procedures included security incident response procedures for identifying and logging significant security events; analyzing security violations and incidents; and issuing security alerts and advisories to District personnel. However, District procedures did not include an established process for reporting security violations and incidents to the appropriate law enforcement agency, notifying affected

parties in accordance with State law[10] 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 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. Similar findings were noted in our report Nos. 2014-134 and 2015-131.

Recommendation: The District should enhance 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 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

The District had taken corrective actions for findings included in our report No. 2015-131, except as discussed in Findings 2, 3, 4 and 5 and shown in Table 1.

Table 1

Findings Also Noted in Previous Audit Reports

Finding	2013-14 Fiscal Year Audit Report No. 2015-131, Finding	2012-13 Fiscal Year Audit Report No. 2014-134, Finding
2	3	1
3	5	Not Applicable
4	6	2
5	7	3

[10] Section 501.171, Florida Statutes.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2015-131		There were no prior Federal Findings.		

WAKULLA COUNTY SCHOOL BOARD

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DISTRICT IV

JOANN DANIELS
DISTRICT V

January 13, 2016

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

Dear Ms. Norman:

The preliminary and tentative findings and recommendations for the fiscal year ended June 30, 2015 have been reviewed. Our response to the findings and recommendations are as follows:

Finding No. 1: The District did not always timely perform background screenings for applicable instructional and noninstructional employees.

Response: The Human Resources Department has corrected the four instances noted in the finding. Furthermore, the Department has enhanced procedures to ensure compliance as follows:

a. TERMS fingerprint dates have been updated and synchronized with Falcon data. Utilizing the TERMS and Falcon for background screenings should provide an additional check and accountability feature.
b. Immediate action was taken to identify additional employees who have not obtained the required background screenings. HR specialist discovered eight (8) additional employees, who were printed, between 2005-2010, had not been resubmitted.
c. All 8 were scheduled and reprinted prior to Thanksgiving for reprinting. The screenings were promptly obtained and evaluated and continued employment decisions were made based on the evaluations of the screenings. No inappropriate background information was discovered.
d. FDLE has been contacted regarding the procedure for updating Falcon so that employee records and print records are in sync. However, name changes cannot be made via Falcon unless prints are redone, $52.75/person. Fortunately, we can search employees via SSN – if they submitted a SSN when they entered the data and if the SSN is correct.
e. An HR specialist has been designated and received initial training to track all fingerprint data to ensure required background screenings are timely performed for District employees and vendors. Additional training will be scheduled with FDLE and/or Falcon when training is offered.

Finding No. 2: The District needs to strengthen controls to ensure the accurate reporting to the Florida Department of Education instructional contact hours for adult general education classes

Response: A set of calendars that are entered into the student records system were not synchronized. The District has corrected this discrepancy.

Finding No. 3: District procedures continue to need improvement to ensure part-time virtual instruction is offered to all students.

Response: The District is currently exploring options to contract with a virtual instruction provider for part-time virtual instruction for kindergarten through grade 5.

Finding No. 4: The District information technology (IT) disaster recovery plan needs improvement.

Response: The District will formulate an addendum to the information technology disaster recovery plan to establish procedures for a possible scenario where the Northwest Regional Data Center (NWRDC) and their back-up facilities across the country become inoperable. Such procedures will include identifying the manual processes to be implemented and prioritization of resources in performing the critical duties of the District's financial operations.

Finding No. 5: District IT security incident response procedures continue to need improvement.

Response: The District is currently reassessing the responsibilities of staff with regards to the security incident response procedures. The newly designated personnel will review and update the plan to include the proper reporting of incidents to the appropriate law enforcement agency and notifying affected parties. Also, such personnel will be responsible for establishing a schedule to review critical system resources.

The District accepts your comments and recommendations with regard to its 2014-2015 fiscal year audit report in a positive and constructive manner. All recommendations will be reviewed and considered for implementation during the 2015-2016 fiscal year. The District commends your staff on their courtesy and professionalism.

Sincerely,

Robert R. Pearce

Robert Pearce
Superintendent, Wakulla County School Board

RPP/rb