

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD**

**Financial, Operational, and Federal Single
Audit**

For the Fiscal Year Ended
June 30, 2010



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2009-10 fiscal year are listed below:

	<u>District No.</u>
Ray E. Gray, Jr.	1
Michael A. Scott, Vice Chair	2
Rebecca S. Cook, Chair	3
Gregory M. Thomas	4
Jerry S. Evans	5

David Miller, Superintendent

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

The audit team leader was Stacy P. Boyd, and the audit was supervised by Karen L. Revell, CPA. For the information technology portion of this audit, the audit team leader was Deidre N. Melton, CISA, and the supervisor was Nancy M. Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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

WAKULLA COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

SIGNIFICANT DEFICIENCY

Finding No. 1: District procedures for reporting account balances on the financial statements could be improved.

ADDITIONAL MATTERS

Finding No. 2: Improvements were needed in controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.

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

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

Finding No. 5: Controls could be enhanced to ensure compliance with Section 119.071(5)(a), Florida Statutes, regarding notifying individuals of the need for and use of social security numbers.

Finding No. 6: The District's policy and procedure did not require timely removal of information technology (IT) access privileges of former or reassigned employees.

Finding No. 7: The District lacked written policies and procedures for certain IT functions.

Finding No. 8: The District's Disaster Recovery Plan lacked key disaster recovery control elements and had not been tested.

Finding No. 9: The District's security controls related to user authentication needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster; Title I, Part A Cluster; Special Education Cluster; and State Fiscal Stabilization Fund Cluster programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

Audit Objectives and Scope

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

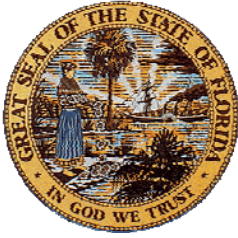
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;

- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2010-080.

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, 2010. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Wakulla County District School Board, as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 37 percent of the assets and 73 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of Wakulla's Charter School of Arts, Science and Technology, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon 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 on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Wakulla County District School Board as of June 30, 2010, and the respective changes in financial position and

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

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

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 8) and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 42 through 45) be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Respectfully submitted,



David W. Martin, CPA
March 8, 2011

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, 2010. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 9 through 40.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2009-10 fiscal year are as follows:

- In total, net assets increased \$2,212,466.07, which represents a 2.9 percent increase over the 2008-09 fiscal year.
- During the current year, General Fund revenues exceeded expenditures by \$852,497.25. This may be compared to last year's results in which General Fund expenditures exceeded revenues by \$610,918.50.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$3,909,988.96 at June 30, 2010, or 11.4 percent of total General Fund expenditures. This represents a 23.3 percent increase from the previous year's unreserved fund balance of \$3,170,900.60.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements;
- Fund financial statements; and
- Notes to 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 assets and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type activities of the primary government presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Business-type activities – As fiscal agent of the Small School District Council Consortium, the District charges fees to cover the costs of certain services it provides.
- Component unit – The District presents Wakulla's Charter School of Arts, Science and Technology, Inc., as a separate legal entity in this report. Although a legally separate organization, the component unit is included in

this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

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, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 2010, compared to net assets as of June 30, 2009:

	Net Assets, End of Year					
	Governmental		Business-Type		Total	
	Activities		Activities			
	6-30-10	6-30-09	6-30-10	6-30-09	6-30-10	6-30-09
Current and Other Assets	\$ 8,968,483.43	\$ 7,848,606.97	\$ 32,655.29	\$ 23,761.80	\$ 9,001,138.72	\$ 7,872,368.77
Capital Assets	78,569,020.71	78,972,736.80			78,569,020.71	78,972,736.80
Total Assets	87,537,504.14	86,821,343.77	32,655.29	23,761.80	87,570,159.43	86,845,105.57
Long-Term Liabilities	8,615,992.93	9,938,290.58			8,615,992.93	9,938,290.58
Other Liabilities	986,695.25	1,151,967.31	157.50		986,852.75	1,151,967.31
Total Liabilities	9,602,688.18	11,090,257.89	157.50		9,602,845.68	11,090,257.89
Net Assets:						
Invested in Capital Assets -						
Net of Related Debt	74,161,598.79	72,358,953.80			74,161,598.79	72,358,953.80
Restricted	3,642,118.65	3,048,947.32			3,642,118.65	3,048,947.32
Unrestricted	131,098.52	323,184.76	32,497.79	23,761.80	163,596.31	346,946.56
Total Net Assets	\$ 77,934,815.96	\$ 75,731,085.88	\$ 32,497.79	\$ 23,761.80	\$ 77,967,313.75	\$ 75,754,847.68

Net Assets increased by 2.9 percent resulting from the approximately \$2.2 million increase in net assets for governmental activities. This can be attributed to several factors, but primarily to a decrease in long-term liabilities and an increase in current assets. On the following page is a comparison of current and prior year governmental activities operating results. The difference in revenue and expenses results in the increase to net assets.

The largest portion of the District’s net assets (95.2 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District’s net assets (4.7 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (0.1 percent) may be used to meet the government’s ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2010, and June 30, 2009, are as follows:

	Operating Results for the Year					
	Governmental Activities		Business-Type Activities		Total	
	6-30-10	6-30-09	6-30-10	6-30-09	6-30-10	6-30-09
Program Revenues:						
Charges for Services	\$ 824,460.06	\$ 870,877.29	\$ 105,450.00	\$ 108,300.00	\$ 929,910.06	\$ 979,177.29
Operating Grants and Contributions	1,509,273.73	3,578,947.37			1,509,273.73	3,578,947.37
Capital Grants and Contributions	487,770.35	1,746,653.00			487,770.35	1,746,653.00
General Revenues:						
Property Taxes, Levied for Operational Purposes	9,365,758.33	8,843,062.91			9,365,758.33	8,843,062.91
Property Taxes, Levied for Debt Service	666,889.36	621,508.52			666,889.36	621,508.52
Property Taxes, Levied for Capital Projects	2,212,948.04	2,590,212.10			2,212,948.04	2,590,212.10
Grants and Contributions Not Restricted to Specific Programs	30,398,098.91	27,314,059.14			30,398,098.91	27,314,059.14
Unrestricted Investment Earnings	77,640.43	76,054.31			77,640.43	76,054.31
Miscellaneous	442,815.31	351,615.90			442,815.31	351,615.90
Total Revenues	45,985,654.52	45,992,990.54	105,450.00	108,300.00	46,091,104.52	46,101,290.54
Functions/Program Expenses:						
Instruction	22,821,744.67	23,011,557.42			22,821,744.67	23,011,557.42
Pupil Personnel Services	2,179,680.97	2,223,600.82			2,179,680.97	2,223,600.82
Instructional Media Services	547,452.89	585,861.53			547,452.89	585,861.53
Instruction and Curriculum Development Services	1,426,870.77	1,357,289.96			1,426,870.77	1,357,289.96
Instructional Staff Training Services	190,009.61	101,191.10			190,009.61	101,191.10
Instruction Related Technology	370,412.65	279,257.48			370,412.65	279,257.48
School Board	533,392.88	520,131.70			533,392.88	520,131.70
General Administration	561,365.55	615,150.05			561,365.55	615,150.05
School Administration	1,890,185.57	1,792,120.93			1,890,185.57	1,792,120.93
Facilities Acquisition and Construction	201,735.67	879,911.87			201,735.67	879,911.87
Fiscal Services	417,093.81	410,360.05			417,093.81	410,360.05
Food Services	2,032,034.04	2,036,465.68			2,032,034.04	2,036,465.68
Central Services	618,821.61	624,810.62	96,714.01	112,488.05	715,535.62	737,298.67
Pupil Transportation Services	2,628,756.41	2,549,246.82			2,628,756.41	2,549,246.82
Operation of Plant	4,228,947.29	4,349,336.35			4,228,947.29	4,349,336.35
Maintenance of Plant	1,082,140.74	886,730.84			1,082,140.74	886,730.84
Administrative Technology Services	31,412.26	11,809.03			31,412.26	11,809.03
Community Services	6,355.50	6,190.08			6,355.50	6,190.08
Unallocated Interest on Long-Term Debt	174,419.28	208,915.98			174,419.28	208,915.98
Unallocated Depreciation Expense	1,839,092.27	1,823,562.23			1,839,092.27	1,823,562.23
Total Functions/Program Expenses	43,781,924.44	44,273,500.54	96,714.01	112,488.05	43,878,638.45	44,385,988.59
Increase (Decrease) in Net Assets	\$ 2,203,730.08	\$ 1,719,490.00	\$ 8,735.99	\$ (4,188.05)	\$ 2,212,466.07	\$ 1,715,301.95

The largest revenue source is the State of Florida. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District’s funding ability based on the local property tax base. There was a decrease in the base student allocation (BSA) and district cost differential (DCD). Compared to the previous year, the BSA multiplied by the DCD decreased by 7.48 percent per full-time equivalent student, from \$3,667.74 to \$3,393.54.

Capital grants and contributions decreased by \$1,258,882.65, or 72.08 percent, primarily due to a decrease of \$666,473.00 in Public Education Capital Outlay Special Facilities appropriations received for the construction of Riversink Elementary, which was completed in the prior year.

Net assets for the business-type activities are for the Small School District Council Consortium and total \$32,497.79 at June 30, 2010, representing an increase of \$8,735.99 from the previous year. The increase in net assets for the business-type activities resulted primarily from reduced costs for the consulting firm utilized by the Consortium.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. For the current fiscal year, 76 percent of revenues and 76.1 percent of the expenditures of the governmental funds were accounted for in the General Fund. The unreserved fund balance of the General Fund is an important indicator of the District's financial condition. Through fiscal prudence, the District attempts to maintain an unreserved fund balance of at least 5 percent of General Fund revenues for any given fiscal period. At the end of the current fiscal year, the unreserved fund balance of \$3,909,988.96 is 11.2 percent of General Fund revenues totaling \$35,049,494.28. The unreserved fund balance increased by \$739,088.36 from the prior year. Expenditures decreased by \$2,586,607.78, or 7 percent from the previous year primarily due to the implementation of the State Fiscal Stabilization Funds provided by the American Recovery and Reinvestment Act (ARRA). Stabilization funds were available to supplement salaries and benefits previously funded through the General Fund.

The Special Revenue – ARRA Economic Stimulus Fund is used to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act. 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 Debt Service – Other Fund, established to account for repayments to the Florida Special Facilities Trust Fund, does not have a fund balance because transfers from capital outlay funds accounted for in this fund are due to the Florida Department of Education as of June 30, 2010.

The Capital Projects – Local Capital Improvement Fund and the Capital Projects – Other Fund have total fund balances of \$528,147.20 and \$1,812,352.26, respectively. Fund balances for these funds are restricted for the acquisition, construction, and maintenance of capital assets. The fund balance in the Capital Projects – Local Capital Improvement Fund decreased as the reroofing project planned for portions of Wakulla High commenced and was nearly completed during the fiscal year. In addition, the fund balance of the Capital Projects – Other Fund increased to save available monies to possibly use for a future heating, ventilation, and air conditioning renovation project for the entire school plant at Wakulla Middle. Further, the fund was reimbursed by the State with an additional Public Education Capital Outlay Special Facilities allocation for past expenditures incurred on the construction of Riversink Elementary.

Proprietary Funds

The only proprietary fund for the District is the Small School District Council Consortium Enterprise Fund, which reported unrestricted net assets of \$32,497.79 at June 30, 2010, representing an increase of 37 percent from the previous year. This increase occurred primarily because of reduced costs for the consulting firm utilized by the Consortium.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2009-10 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues amounting to \$213,607.07, and an increase in final appropriations of \$159,393.46

from the original budgeted amounts. Budget revisions were due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues are in line with the final budgeted amounts, while actual expenditures are \$3,219,358.61, or 8.61 percent, less than final budget amounts. The decrease in expenditures was mainly because instruction expenditures were less than planned. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$3,494,119.84.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$78,569,020.71 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; audio visual materials; and computer software.

Major capital asset events during the current fiscal year included a reroofing project for portions of Wakulla High that was substantially completed in July 2010.

Additional information on the District's capital assets can be found in Note 4 to the financial statements.

Long-Term Debt

At June 30, 2010, the District has total long-term debt outstanding of \$3,760,000, which is comprised of bonds payable. During the fiscal year, retirement of debt amounted to \$775,000. Additional information on the District's long-term debt can be found in Notes 5 through 7 to the financial statements.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2010**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 8,120,116.78	\$ 29,805.29	\$ 8,149,922.07	\$ 147,560.00
Investments	135,746.62		135,746.62	
Due from Other Agencies	419,530.15	2,850.00	422,380.15	11,345.00
Prepaid Items				11,423.00
Inventories	293,089.88		293,089.88	
Capital Assets:				
Nondepreciable Capital Assets	4,419,003.12		4,419,003.12	
Depreciable Capital Assets, Net	74,150,017.59		74,150,017.59	436,785.00
TOTAL ASSETS	\$ 87,537,504.14	\$ 32,655.29	\$ 87,570,159.43	\$ 607,113.00
LIABILITIES				
Salaries and Benefits Payable	\$ 4,200.00	\$	\$ 4,200.00	\$
Payroll Deductions and Withholdings	8,611.11		8,611.11	
Accounts Payable	115,482.33	157.50	115,639.83	26,113.00
Construction Contracts Payable	122,738.81		122,738.81	
Construction Contracts Payable - Retainage	82,916.10		82,916.10	
Due to Other Agencies	576,709.00		576,709.00	
Accrued Interest Payable	31,679.60		31,679.60	
Deferred Revenue	44,358.30		44,358.30	
Long-Term Liabilities:				
Portion Due Within One Year	1,509,227.99		1,509,227.99	186,164.00
Portion Due After One Year	7,106,764.94		7,106,764.94	3,493.00
Total Liabilities	9,602,688.18	157.50	9,602,845.68	215,770.00
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	74,161,598.79		74,161,598.79	247,128.00
Restricted for:				
State Required Carryover Programs	854,723.65		854,723.65	
Debt Service	29,007.71		29,007.71	
Capital Projects	2,340,511.63		2,340,511.63	45,349.00
Restricted for Food Service	417,875.66		417,875.66	
Unrestricted	131,098.52	32,497.79	163,596.31	98,866.00
Total Net Assets	77,934,815.96	32,497.79	77,967,313.75	391,343.00
TOTAL LIABILITIES AND NET ASSETS	\$ 87,537,504.14	\$ 32,655.29	\$ 87,570,159.43	\$ 607,113.00

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, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 22,821,744.67	\$ 23,178.20	\$	\$
Pupil Personnel Services	2,179,680.97			
Instructional Media Services	547,452.89			
Instruction and Curriculum Development Services	1,426,870.77			
Instructional Staff Training Services	190,009.61			
Instruction Related Technology	370,412.65			
School Board	533,392.88			
General Administration	561,365.55			
School Administration	1,890,185.57			
Facilities Acquisition and Construction	201,735.67			355,197.84
Fiscal Services	417,093.81			
Food Services	2,032,034.04	801,281.86	1,358,075.73	
Central Services	618,821.61			
Pupil Transportation Services	2,628,756.41			
Operation of Plant	4,228,947.29			
Maintenance of Plant	1,082,140.74		151,198.00	
Administrative Technology Services	31,412.26			
Community Services	6,355.50			
Unallocated Interest on Long-Term Debt	174,419.28			132,572.51
Unallocated Depreciation Expense*	1,839,092.27			
Total Governmental Activities	43,781,924.44	824,460.06	1,509,273.73	487,770.35
Business-Type Activities:				
Small School District Council Consortium	96,714.01	105,450.00		
Total Business-Type Activities	96,714.01	105,450.00		
Total Primary Government	\$ 43,878,638.45	\$ 929,910.06	\$ 1,509,273.73	\$ 487,770.35
Component Unit				
Wakulla's Charter School of Arts, Science and Technology, Inc.	\$ 1,170,875.00	\$ 12,965.00	\$ 260,206.00	\$ 70,003.00

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
- Special Item:
 - Loss on disposal of assets

Total General Revenues and Special Item

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

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

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government		Component Unit
	Business-Type Activities	Total	
\$ (22,798,566.47)	\$	\$ (22,798,566.47)	\$
(2,179,680.97)		(2,179,680.97)	
(547,452.89)		(547,452.89)	
(1,426,870.77)		(1,426,870.77)	
(190,009.61)		(190,009.61)	
(370,412.65)		(370,412.65)	
(533,392.88)		(533,392.88)	
(561,365.55)		(561,365.55)	
(1,890,185.57)		(1,890,185.57)	
153,462.17		153,462.17	
(417,093.81)		(417,093.81)	
127,323.55		127,323.55	
(618,821.61)		(618,821.61)	
(2,628,756.41)		(2,628,756.41)	
(4,228,947.29)		(4,228,947.29)	
(930,942.74)		(930,942.74)	
(31,412.26)		(31,412.26)	
(6,355.50)		(6,355.50)	
(41,846.77)		(41,846.77)	
(1,839,092.27)		(1,839,092.27)	
<u>(40,960,420.30)</u>		<u>(40,960,420.30)</u>	
	8,735.99	8,735.99	
	8,735.99	8,735.99	
<u>(40,960,420.30)</u>	<u>8,735.99</u>	<u>(40,951,684.31)</u>	
			<u>(827,701.00)</u>
9,365,758.33		9,365,758.33	
666,889.36		666,889.36	
2,212,948.04		2,212,948.04	
30,398,098.91		30,398,098.91	832,787.00
77,640.43		77,640.43	492.00
442,815.31		442,815.31	
			<u>(1,866.00)</u>
<u>43,164,150.38</u>		<u>43,164,150.38</u>	<u>831,413.00</u>
2,203,730.08	8,735.99	2,212,466.07	3,712.00
75,731,085.88	23,761.80	75,754,847.68	387,631.00
<u>\$ 77,934,815.96</u>	<u>\$ 32,497.79</u>	<u>\$ 77,967,313.75</u>	<u>\$ 391,343.00</u>

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010**

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Debt Service - Other Fund
ASSETS			
Cash and Cash Equivalents	\$ 4,730,963.26	\$ 92.91	\$
Investments	56,753.50		
Due from Other Funds	10,074.80		576,494.42
Due from Other Agencies	334,489.22	23,740.70	
Inventories	158,247.89		
TOTAL ASSETS	\$ 5,290,528.67	\$ 23,833.61	\$ 576,494.42
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 4,200.00	\$	\$
Payroll Deductions and Withholdings	8,016.69	283.35	
Accounts Payable	83,918.80	7,596.00	
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Due to Other Funds		15,951.40	
Due to Other Agencies		2.86	576,494.42
Deferred Revenue			
Total Liabilities	96,135.49	23,833.61	576,494.42
Fund Balances:			
Reserved for State Required Carryover Programs	854,723.65		
Reserved for Encumbrances	271,432.68		
Reserved for Inventories	158,247.89		
Reserved for Debt Service			
Unreserved, Reported in:			
General Fund	3,909,988.96		
Special Revenue Funds			
Capital Projects Funds			
Total Fund Balances	5,194,393.18		
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,290,528.67	\$ 23,833.61	\$ 576,494.42

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,198,847.30	\$ 1,754,611.73 53,651.82	\$ 435,601.58 25,341.30 5,876.60	\$ 8,120,116.78 135,746.62 592,445.82
38,776.83	4,088.71	18,434.69 134,841.99	419,530.15 293,089.88
<u>\$ 1,237,624.13</u>	<u>\$ 1,812,352.26</u>	<u>\$ 620,096.16</u>	<u>\$ 9,560,929.25</u>
\$	\$	\$	\$ 4,200.00
122,738.81		311.07	8,611.11
82,916.10		23,967.53	115,482.33
503,822.02		72,672.40	122,738.81
		211.72	82,916.10
		44,358.30	592,445.82
			576,709.00
<u>709,476.93</u>		<u>141,521.02</u>	<u>44,358.30</u>
6,248.39		100.00	854,723.65
		60,687.31	277,781.07
			158,247.89
			60,687.31
521,898.81	1,812,352.26	417,775.66	3,909,988.96
		12.17	417,775.66
<u>528,147.20</u>	<u>1,812,352.26</u>	<u>478,575.14</u>	<u>2,334,263.24</u>
<u>\$ 1,237,624.13</u>	<u>\$ 1,812,352.26</u>	<u>\$ 620,096.16</u>	<u>\$ 9,560,929.25</u>

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Total Fund Balances - Governmental Funds	\$ 8,013,467.78
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	78,569,020.71
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.	(31,679.60)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:	
Bonds Payable	\$ 3,760,000.00
Special Public Education Capital Outlay Advance Payable	647,421.92
Other Postemployment Benefits Payable	2,590,932.01
Compensated Absences Payable	1,617,639.00
	<u>(8,615,992.93)</u>
Total Net Assets - Governmental Activities	<u>\$ 77,934,815.96</u>

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, 2010**

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Debt Service - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 78,333.82	\$	\$
Federal Through State and Local State	622,767.94 24,545,095.65	2,695,619.87	
Local:			
Property Taxes	9,365,758.33		
Charges for Services - Food Service			
Miscellaneous	437,538.54		
Total Revenues	35,049,494.28	2,695,619.87	
Expenditures			
Current - Education:			
Instruction	18,386,008.42	2,343,772.81	
Pupil Personnel Services	1,805,192.17	34,420.42	
Instructional Media Services	470,853.33	61,800.48	
Instruction and Curriculum Development Services	1,176,989.15	4,101.48	
Instructional Staff Training Services	49,747.61	79,797.82	
Instruction Related Technology	358,258.20		
School Board	529,125.55		
General Administration	454,473.16	24,184.17	
School Administration	1,798,011.30		
Facilities Acquisition and Construction	171,615.14		
Fiscal Services	417,150.36		
Food Services	23,098.61	670.00	
Central Services	603,473.29	5,647.38	
Pupil Transportation Services	2,513,520.46	2,736.00	
Operation of Plant	4,222,941.12		
Maintenance of Plant	1,025,921.97	9,350.00	
Administrative Technology Services	31,253.30		
Community Services	6,175.51		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	153,188.38	129,139.31	
Debt Service:			
Principal			1,562,772.98
Interest and Fiscal Charges			
Total Expenditures	34,196,997.03	2,695,619.87	1,562,772.98
Excess (Deficiency) of Revenues Over Expenditures	852,497.25		(1,562,772.98)
Other Financing Sources (Uses)			
Transfers In	151,386.66		1,562,772.98
Proceeds from Refunding of Bonds			
Premium on Refunding of Bonds			
Insurance Loss Recoveries	40,851.16		
Payments to Refunding Bond Escrow Agent			
Transfers Out			
Total Other Financing Sources (Uses)	192,237.82		1,562,772.98
Net Change in Fund Balances	1,044,735.07		
Fund Balances, Beginning	4,126,677.05		
Increase to Inventory Reserve	22,981.06		
Fund Balances, Ending	\$ 5,194,393.18	\$ 0.00	\$ 0.00

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		3,521,722.03	78,333.82
	335,568.49	801,310.59	6,840,109.84
2,212,948.04		666,889.36	25,681,974.73
4,024.50	52,963.05	801,281.86	12,245,595.73
		4,055.06	801,281.86
<u>2,216,972.54</u>	<u>388,531.54</u>	<u>5,795,258.90</u>	<u>46,145,877.13</u>
		1,524,049.28	22,253,830.51
		273,176.39	2,112,788.98
		120.00	532,773.81
		190,040.06	1,371,130.69
		58,025.06	187,570.49
		6,106.69	364,364.89
			529,125.55
		70,568.82	549,226.15
	29,253.00		1,798,011.30
			200,868.14
			417,150.36
		1,978,590.55	2,002,359.16
		4,752.51	613,873.18
		14,932.28	2,531,188.74
			4,222,941.12
		22,550.00	1,057,821.97
			31,253.30
			6,175.51
910,829.69			910,829.69
278,853.00		85,584.47	646,765.16
	243,863.50	595,000.00	2,401,636.48
		188,548.95	188,548.95
<u>1,189,682.69</u>	<u>273,116.50</u>	<u>5,012,045.06</u>	<u>44,930,234.13</u>
<u>1,027,289.85</u>	<u>115,415.04</u>	<u>783,213.84</u>	<u>1,215,643.00</u>
	487,727.00		2,201,886.64
		170,000.00	170,000.00
		17,072.30	17,072.30
			40,851.16
		(185,528.67)	(185,528.67)
<u>(1,490,100.58)</u>	<u>(69,744.00)</u>	<u>(642,042.06)</u>	<u>(2,201,886.64)</u>
<u>(1,490,100.58)</u>	<u>417,983.00</u>	<u>(640,498.43)</u>	<u>42,394.79</u>
(462,810.73)	533,398.04	142,715.41	1,258,037.79
990,957.93	1,278,954.22	335,859.73	6,732,448.93
			22,981.06
<u>\$ 528,147.20</u>	<u>\$ 1,812,352.26</u>	<u>\$ 478,575.14</u>	<u>\$ 8,013,467.78</u>

**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, 2010**

Net Change in Fund Balances - Governmental Funds \$ 1,258,037.79

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

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

Capital Outlay - Facilities Acquisition & Construction - Capitalized	\$ 910,829.69	
Capital Outlay - Other Capital Outlay - Capitalized	646,765.16	
Depreciation Expense	(1,963,968.94)	(406,374.09)

Donated capital assets increase net assets in the statement of activities, but do not provide current financial resources and, therefore, are not reported in the governmental funds. 2,658.00

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceed proceeds in the current period.

Bond Proceeds	\$ (170,000.00)	
Bonds Payable Payments	775,000.00	605,000.00

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which the repayments and the estimated Special Public Education Capital Outlay Advance Payable reported in the prior year exceeded the required repayment.

PECO Advance Repayment	\$ 1,562,772.98	
Reduction in PECO Advance Payable Estimate	38,588.10	1,601,361.08

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 reduction in accrued interest during the current period. 4,129.67

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period. (76,104.43)

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. (807,959.00)

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. 22,981.06

Change in Net Assets - Governmental Activities **\$ 2,203,730.08**

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

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
June 30, 2010**

Business-Type
Activities -
Nonmajor
Enterprise Fund
Small School
District Council
Consortium

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	29,805.29
Due From Other Agencies		<u>2,850.00</u>

TOTAL ASSETS	\$	<u>32,655.29</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	\$	<u>157.50</u>
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NET ASSETS

Unrestricted		<u>32,497.79</u>
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TOTAL LIABILITIES AND NET ASSETS	\$	<u>32,655.29</u>
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The accompanying notes to financial statements are an integral part of this statement.

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2010**

	Business-Type Activities - Nonmajor Enterprise Funds <u>Small School District Council Consortium</u>
OPERATING REVENUES	
Charges for Services	\$ 105,450.00
OPERATING EXPENSES	
Purchased Services	<u>96,714.01</u>
Operating Income	8,735.99
Total Net Assets - Beginning	<u>23,761.80</u>
Total Net Assets - Ending	<u><u>\$ 32,497.79</u></u>

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, 2010**

	Business-Type Activities - Nonmajor Enterprise Funds <hr/> Small School District Council Consortium <hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Services	\$ 102,600.00
Cash Payments to Suppliers for Goods and Services	<u>(96,556.51)</u>
Net Cash Provided by Operating Activities	<u>6,043.49</u>
Cash and Cash Equivalents, Beginning	<u>23,761.80</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 29,805.29</u></u>

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

Operating Income	\$ <u>8,735.99</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Increase in Due From Other Agencies	(2,850.00)
Increase in Accounts Payable	<u>157.50</u>
Total Adjustments	<u>(2,692.50)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 6,043.49</u></u>

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

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2010**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ <u>383,798.00</u>
LIABILITIES	
Internal Accounts Payable	\$ <u>383,798.00</u>

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

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

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

Discretely Presented Component Unit. The component unit columns in the basic financial statements, include the financial data of the Wakulla's Charter School of Arts, Science and Technology, Inc. (Charter School). The Charter School is a separate, not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act. The Charter School operates under a charter approved by its sponsor, the Board, and is considered a component unit because it depends on the District to levy taxes for its support. An audit of the Charter School for the fiscal year ended June 30, 2010, was conducted by an independent accounting firm and is on file at the District Office.

➤ **Basis of Presentation**

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

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

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

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Debt Service – Other Fund – to account for the accumulation of financial resources for the payment of, debt principal, interest, and related costs for the PECO Special Facilities Advance Payable.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, and renovation and remodeling projects.
- Capital Projects – Other Fund – to account for the financial resources generated by various State sources and local sources, such as Special Public Education Capital Outlay Advance moneys to be used for educational capital outlay needs, including new construction, 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 the fiscal agent.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Wakulla's Charter School of Arts, Science and Technology, Inc., shown as a discretely presented component unit, is accounted for as a governmental organization and follows the same accounting model as the District's governmental activities.

➤ **Deposits and Investments**

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

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

Investments consist of amounts placed in SBA debt service accounts for investment of debt service moneys and amounts placed with SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida

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Statutes. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.67353149 at June 30, 2010. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the first-in, first-out basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories is recorded as expenditures when used rather than purchased. The cost of transportation inventories are recorded as an expenditure at the time the individual items are purchased, and the reported transportation inventory is equally offset by a fund balance reserve, which indicates that it does not constitute "available spendable resources."

➤ **Capital Assets**

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

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

<u>Description</u>	<u>Estimated Lives</u>
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	3 years
Computer Software	5 years

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

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

The State provides financial assistance to administer certain educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the

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program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same educational programs. The Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical and earmarked educational program resources.

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

Pursuant to Section 1013.64, Florida Statutes, the District received a special allocation in the 2007-08 fiscal year for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund - Special Facility Construction Account. As a condition for receiving these funds, other construction funding must be pledged for the project, including the capital outlay millage levied pursuant to Section 1011.71(2), Florida Statutes, for the following three fiscal years. During the three-year period, reductions to the special allocations are made to the extent of collections from the required pledged sources.

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

➤ **District Property Taxes**

The School 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 2009 tax levy on September 14, 2009. 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.

➤ **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.

**WAKULLA COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

3. INVESTMENTS

Section 218.415(17), Florida Statutes, authorizes the District to invest in the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME; any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds which the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts 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 further limit the District's investment choices and the policy does not limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Investments, reported as cash equivalents, with a fair value of \$8,041,687.73 at June 30, 2010, are in Florida PRIME with a weighted average days to maturity (WAM) of 46 days. 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. The District's investment in Florida PRIME is rated AAAM by Standards & Poor's.

Investments with a fair value of \$111,460.19 at June 30, 2010, are in the SBA Fund B Surplus Funds Trust Fund (Fund B) with a weighted average life (WAL) of 8.05 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2010. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. The District's investment in Fund B is unrated.

In addition, the District reports investments totaling \$24,286.43 at June 30, 2010, in the other governmental funds to provide for debt service payments on bond debt issued by the State Board of Education for the

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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benefit of the District. These investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The District relies on policies developed by SBA for managing credit risk for this account.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 3,501,421.43	\$	\$	\$ 3,501,421.43
Land Improvements - Nondepreciable	6,752.00			6,752.00
Construction in Progress		910,829.69		910,829.69
Total Capital Assets Not Being Depreciated	3,508,173.43	910,829.69		4,419,003.12
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,344,126.70	4,160.00		3,348,286.70
Buildings and Fixed Equipment	91,082,520.19			91,082,520.19
Furniture, Fixtures, and Equipment	4,194,879.24	362,690.71	265,290.34	4,292,279.61
Motor Vehicles	3,920,655.88	278,853.00		4,199,508.88
Audio Visual Materials	1,990.68		1,990.68	
Computer Software	314,811.19	3,719.45	1,378.35	317,152.29
Total Capital Assets Being Depreciated	102,858,983.88	649,423.16	268,659.37	103,239,747.67
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,146,304.74	69,113.96		2,215,418.70
Buildings and Fixed Equipment	18,681,693.65	1,546,875.95		20,228,569.60
Furniture, Fixtures, and Equipment	3,315,380.19	203,594.90	265,290.34	3,253,684.75
Motor Vehicles	3,028,057.90	124,876.67		3,152,934.57
Audio Visual Materials	1,990.68		1,990.68	
Computer Software	220,993.35	19,507.46	1,378.35	239,122.46
Total Accumulated Depreciation	27,394,420.51	1,963,968.94	268,659.37	29,089,730.08
Total Capital Assets Being Depreciated, Net	75,464,563.37	(1,314,545.78)		74,150,017.59
Governmental Activities Capital Assets, Net	\$ 78,972,736.80	\$ (403,716.09)	\$ 0.00	\$ 78,569,020.71

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Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 124,876.67
Unallocated	1,839,092.27
Total Depreciation Expense - Governmental Activities	\$ 1,963,968.94

5. SPECIAL PUBLIC EDUCATION CAPITAL OUTLAY ADVANCE PAYABLE

The liability at June 30, 2010, of \$647,421.92 represents the amount of the Public Education Capital Outlay Special Facilities allocation expected to be replaced by other District capital outlay sources that are committed under Section 1013.64, Florida Statutes, for funding specific construction needs. The liability is expected to be retired by the close of the 2010-11 fiscal year.

6. BONDS PAYABLE

Bonds payable at June 30, 2010, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005B, Refunding	\$ 725,000	5.0	2018
Series 2009A, Refunding	155,000	3.0 - 5.0	2019
District General Obligation Bonds:			
Series 1999, Refunding	<u>2,880,000</u>	4.09	2015
Total Bonds Payable	<u>\$ 3,760,000</u>		

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

➤ **State School Bonds**

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

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➤ **District General Obligation Bonds**

General Obligation Refunding Bonds, Series 1999, are authorized by a resolution adopted by the Board on April 9, 1999, and secured by a pledge of property taxes levied, pursuant to Chapters 1010 and 1011, Florida Statutes.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2011	\$ 133,400.00	\$ 90,000.00	\$ 43,400.00
2012	129,200.00	90,000.00	39,200.00
2013	129,850.00	95,000.00	34,850.00
2014	130,250.00	100,000.00	30,250.00
2015	140,250.00	115,000.00	25,250.00
2016-2019	431,500.00	390,000.00	41,500.00
Total State School Bonds	1,094,450.00	880,000.00	214,450.00
General Obligation Bonds:			
2011	649,428.00	530,000.00	119,428.00
2012	647,716.92	550,000.00	97,716.92
2013	649,642.50	575,000.00	74,642.50
2014	650,798.37	600,000.00	50,798.37
2015	650,917.53	625,000.00	25,917.53
Total General Obligation Bonds	3,248,503.32	2,880,000.00	368,503.32
Total	\$4,342,953.32	\$3,760,000.00	\$ 582,953.32

7. 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	\$ 4,365,000.00	\$ 170,000.00	\$ 775,000.00	\$ 3,760,000.00	\$ 620,000.00
Special PECO Advance Payable	2,248,783.00		1,601,361.08	647,421.92	647,421.92
Compensated Absences Payable	2,514,827.58	256,717.24	180,612.81	2,590,932.01	241,806.07
Other Postemployment Benefits Payable	809,680.00	1,235,477.00	427,518.00	1,617,639.00	
Total Governmental Activities	\$ 9,938,290.58	\$ 1,662,194.24	\$ 2,984,491.89	\$ 8,615,992.93	\$ 1,509,227.99

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 10,074.80	\$
Special Revenue:		
ARRA Economic Stimulus		15,951.40
Debt Service:		
Other	576,494.42	
Capital Projects:		
Local Capital Improvement		503,822.02
Nonmajor Governmental	5,876.60	72,672.40
Total	\$ 592,445.82	\$ 592,445.82

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 151,386.66	\$
Debt Service:		
Other	1,562,772.98	
Capital Projects:		
Local Capital Improvement		1,490,100.58
Other	487,727.00	69,744.00
Nonmajor Governmental		642,042.06
Total	\$ 2,201,886.64	\$ 2,201,886.64

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

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9. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2010-11 fiscal year budget as a result of purchase orders outstanding at June 30, 2010.

Because revenues of grants accounted for in the Special Revenue – ARRA Economic Stimulus Fund, are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – ARRA Economic Stimulus Fund total \$5,435 at June 30, 2010.

10. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue for the 2009-10 fiscal year:

Source	Amount
Florida Education Finance Program:	\$ 18,355,872.00
Categorical Educational Program - Class Size Reduction	5,427,932.00
Gross Receipts Tax (Public Education Capital Outlay)	569,181.00
Workforce Development Program	256,554.00
School Recognition	215,350.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	205,318.75
Voluntary Pre-Kindergarten Program	118,096.42
State Forest Funds	53,831.12
Miscellaneous	479,839.44
	479,839.44
Total	\$ 25,681,974.73

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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11. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2009 tax roll for the 2009-10 fiscal year:

	Millages	Taxes Levied
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.390	\$ 7,974,175.53
Basic Discretionary Local Effort	0.748	1,106,620.28
Critical Operating Needs	0.250	369,859.72
 <u>DEBT SERVICE FUNDS</u>		
Voted Tax:		
Special Tax School District No. 1	0.455	673,144.69
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,219,158.31
Total	8.343	\$12,342,958.53

12. FLORIDA RETIREMENT SYSTEM

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

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

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after

**WAKULLA COUNTY
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JUNE 30, 2010**

electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

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

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2009-10 fiscal year, contribution rates were as follows:

Class	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of PEORP.

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions to the Plan for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$2,429,561.24, \$2,347,361.46, and \$2,297,080.26, respectively, which were equal to the required contributions for each fiscal year. There were 76 PEORP participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled \$221,074.57.

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

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

13. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

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

Funding Policy. Plan contribution requirements of the District and Plan members are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 157 retirees received postemployment life and 91 retirees received other postemployment benefits. The District provided required contributions of \$427,518 toward the annual OPEB cost, net of retiree contributions totaling \$398,296, which represents 2.77 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 Governmental Accounting Standards Board 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 year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Description	Amount
Normal Cost (service cost for one year)	\$ 664,306
Amortization of Unfunded Actuarial Accrued Liability	512,354
Interest on Normal Cost and Amortization	55,400
Annual Required Contribution	1,232,060
Interest on Net OPEB Obligation	28,744
Adjustment to Annual Required Contribution	(25,327)
Annual OPEB Cost (Expense)	1,235,477
Contribution Toward the OPEB Cost	(427,518)
Increase in Net OPEB Obligation	807,959
Net OPEB Obligation, Beginning of Year	809,680
Net OPEB Obligation, End of Year	\$ 1,617,639

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2010 and the preceding year, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2008	\$ 0	0.0%	\$ 0
2008-09	1,187,623	31.8%	809,680
2009-10	1,235,477	34.6%	1,617,639

Funded Status and Funding Progress. As of October 1, 2007, the most recent valuation date, the actuarial accrued liability for benefits was \$15,477,349, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$15,477,349 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$14,363,429, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 107.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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

The District's initial OPEB actuarial valuation as of October 1, 2007, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and to estimate the District's 2009-10 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.55 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 6 percent initially beginning October 1, 2008, rising to 9 percent on October 1, 2009, and then reduced by 0.5 percent per year, to an ultimate rate of 5 percent after October 1, 2017. 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, 2010, was 28 years.

14. CONSORTIUM

The District is a member of, and the fiscal agent for, the Small School District Council 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.

15. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Wakulla County District School Board is a member of the Panhandle Area Educational Consortium-Risk Management Consortium 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, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Washington County District School Board serves as fiscal agent for the Consortium.

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Employee group life and health insurance coverage are 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 three fiscal years.

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REQUIRED SUPPLEMENTARY INFORMATION

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2010**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 75,000.00	\$ 75,000.00	\$ 78,333.82	\$ 3,333.82
Federal Through State and Local	473,883.00	556,752.00	622,767.94	66,015.94
State	25,135,119.00	24,563,038.00	24,545,095.65	(17,942.35)
Local:				
Property Taxes	9,139,603.00	9,369,603.00	9,365,758.33	(3,844.67)
Miscellaneous	298,500.00	344,104.93	437,538.54	93,433.61
Total Revenues	35,122,105.00	34,908,497.93	35,049,494.28	140,996.35
Expenditures				
Current - Education:				
Instruction	20,802,413.49	20,507,795.84	18,386,008.42	2,121,787.42
Pupil Personnel Services	1,764,114.96	1,808,017.96	1,805,192.17	2,825.79
Instructional Media Services	529,945.63	556,629.12	470,853.33	85,775.79
Instruction and Curriculum Development Services	1,193,446.47	1,183,702.26	1,176,989.15	6,713.11
Instructional Staff Training Services	150,954.79	160,842.77	49,747.61	111,095.16
Instruction Related Technology	304,919.96	364,919.96	358,258.20	6,661.76
School Board	584,093.12	584,093.12	529,125.55	54,967.57
General Administration	522,453.36	522,453.36	454,473.16	67,980.20
School Administration	1,812,229.72	1,811,401.70	1,798,011.30	13,390.40
Facilities Acquisition and Construction	105,619.13	190,804.11	171,615.14	19,188.97
Fiscal Services	452,028.53	452,028.53	417,150.36	34,878.17
Food Services	5,652.78	28,127.78	23,098.61	5,029.17
Central Services	674,771.30	648,056.32	603,473.29	44,583.03
Pupil Transportation Services	2,765,023.99	2,712,792.07	2,513,520.46	199,271.61
Operation of Plant	4,571,242.39	4,513,149.06	4,222,941.12	290,207.94
Maintenance of Plant	1,003,005.18	1,180,782.10	1,025,921.97	154,860.13
Administrative Technology Services	10,973.14	31,296.96	31,253.30	43.66
Community Services	4,074.24	6,274.24	6,175.51	98.73
Fixed Capital Outlay:				
Other Capital Outlay		153,188.38	153,188.38	
Total Expenditures	37,256,962.18	37,416,355.64	34,196,997.03	3,219,358.61
Excess (Deficiency) of Revenues Over Expenditures	(2,134,857.18)	(2,507,857.71)	852,497.25	3,360,354.96
Other Financing Sources				
Transfers In	81,454.00	81,454.00	151,386.66	69,932.66
Insurance Loss Recoveries			40,851.16	40,851.16
Total Other Financing Sources	81,454.00	81,454.00	192,237.82	110,783.82
Net Change in Fund Balances	(2,053,403.18)	(2,426,403.71)	1,044,735.07	3,471,138.78
Fund Balances, Beginning	4,126,677.05	4,126,677.05	4,126,677.05	
Increase in Inventory Reserve			22,981.06	22,981.06
Fund Balances, Ending	\$ 2,073,273.87	\$ 1,700,273.34	\$ 5,194,393.18	\$ 3,494,119.84

Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 3,272,602.00	\$ 3,589,760.95	\$ 2,695,619.87	\$ (894,141.08)
<u>3,272,602.00</u>	<u>3,589,760.95</u>	<u>2,695,619.87</u>	<u>(894,141.08)</u>
2,783,849.02	2,977,564.80	2,343,772.81	633,791.99
66,986.96	66,986.96	34,420.42	32,566.54
49,520.00	62,676.92	61,800.48	876.44
	4,110.64	4,101.48	9.16
268,352.42	275,517.42	79,797.82	195,719.60
51,942.60	52,556.90	24,184.17	28,372.73
51,951.00	1,672.00	670.00	1,002.00
	5,686.00	5,647.38	38.62
	4,500.00	2,736.00	1,764.00
	9,350.00	9,350.00	
	<u>129,139.31</u>	<u>129,139.31</u>	
<u>3,272,602.00</u>	<u>3,589,760.95</u>	<u>2,695,619.87</u>	<u>894,141.08</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

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

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

1. BUDGETARY BASIS OF ACCOUNTING

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 220,046.38	\$
National School Lunch Program	10.555	300	886,038.52	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	170,184.83	
Total Child Nutrition Cluster			1,276,269.73	
Florida Department of Education:				
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	51,951.00	
Florida Department of Financial Services:				
Secure Payments to States and Counties Containing Federal Lands	10.665	None	178,317.02	
Total United States Department of Agriculture			1,506,537.75	
United States Department of Labor:				
Indirect:				
Florida's Great Northwest Inc.:				
WIA - Pilots, Demonstrations, and Research Projects	17.261	None	30,440.83	
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	920,020.38	25,000.00
Special Education - Preschool Grants	84.173	266, 267	44,588.07	
ARRA - Special Education Grants to States, Recovery Act	84.391	263	499,170.25	13,585.00
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	7,625.79	
University of South Florida:				
Special Education - Grants to States	84.027	None	1,500.00	
Putnam County District School Board:				
Special Education - Grants to States	84.027	None	94,467.26	
Leon County District School Board:				
Special Education - Grants to States	84.027	None	21,945.00	
Total Special Education Cluster			1,589,316.75	38,585.00
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 220, 221, 226, 228	1,037,764.47	85,108.41
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	226	159,564.93	23,029.26
Total Title I, Part A Cluster			1,197,329.40	108,137.67
Educational Technology State Grants Cluster:				
Florida Department of Education:				
Education Technology State Grants	84.318	121	5,370.86	
ARRA - Education Technology State Grants, Recovery Act	84.386	121	12,063.56	
Total Educational Technology State Grants Cluster			17,434.42	
State Fiscal Stabilization Fund Cluster:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	1,594,014.00	
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	241,578.02	
Total State Stabilization Fund Cluster			1,835,592.02	
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 192, 193, 194, 195, 590	45,774.57	
Career and Technical Education - Basic Grants to States	84.048	151	114,672.95	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	16,966.06	
Improving Teacher Quality State Grants	84.367	224	163,135.44	
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	None	26,811.82	
Total United States Department of Education			5,007,033.43	

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2010**

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 Health and Human Services:				
Indirect:				
North Florida Child Development, Inc.: Head Start	93.600	None	\$ 102,456.00	\$
Wakulla County Health Department: Community-Based Abstinence Education (CBAE) Program	93.010	None	<u>28,090.00</u>	
Total United States Department of Health and Human Services			<u>130,546.00</u>	
United States Department of Homeland Security:				
Indirect:				
Florida Department of Education: Homeland Security Grant Program	97.067	532	<u>28,469.00</u>	
United States Department of Defense:				
Direct:				
Navy Junior Reserve Officers Training Corps	None	N/A	<u>78,333.82</u>	
Total Expenditures of Federal Awards			<u>\$ 6,781,360.83</u>	<u>\$</u>

- Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
- (2) Noncash Assistance, National School Lunch Program - Represents the amount of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Wakulla County District School Board as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Wakulla County District School Board's financial statements. For the discretely presented component unit, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

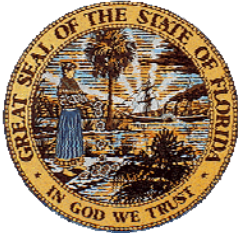
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA
March 8, 2011



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Compliance

We have audited the Wakulla County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2010. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
March 8, 2011

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency identified that are not considered to be a material weakness(es)? None reported

Type of report the auditor issued on compliance for major programs: Unqualified for all major programs

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB *Circular A-133*? No

Identification of major programs: Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 - ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 - ARRA, and 84.392- ARRA); and State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 - ARRA and 84.397 - ARRA)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

**WAKULLA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FINANCIAL STATEMENT FINDING

SIGNIFICANT DEFICIENCY

Finding No. 1: Financial Reporting

Section 1001.51, Florida Statutes, and State Board of Education Rule 6A-1.001, Florida Administrative Code (FAC), require the Superintendent to keep accurate records of all financial transactions. State Board of Education Rule 6A-1.0071, FAC, and related instructions from the Florida Department of Education prescribe the exhibits and schedules that should be prepared as part of the District’s annual financial report. Law and rules require that these exhibits and schedules be prepared in accordance with generally accepted accounting principles.

Our review of the District’s 2009-10 fiscal year annual financial report, as presented for audit, disclosed that financial reporting procedures could be improved. For example, on the government-wide statement of net assets, the District erroneously reduced the invested in capital assets, net of related debt account balance, for the other postemployment benefits liability. As a result, invested in capital assets, net of related debt, was understated and unrestricted net assets was overstated by approximately \$1.6 million each. Misreporting net asset classifications may cause financial statement users to incorrectly assess the District’s financial position.

We extended our audit procedures to determine the adjustments necessary to properly report these amounts on the financial statements, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management’s responsibility to implement adequate controls over financial reporting.

Recommendation: The District should enhance procedures to ensure that financial statement account balances are properly reported.

ADDITIONAL MATTERS

Finding No. 2: Adult General Education Courses

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State’s workforce. Chapter 2009-081, Laws of Florida, Specific Appropriation 111, states that from the funds provided in Specific Appropriations 9 and 111, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to school districts stated that fundable instructional 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. FDOE procedures for reporting instructional hours provide that institutions must develop a procedure for withdrawing

students for nonattendance and that the standard for setting a withdrawal date shall be six consecutive absences from a class schedule, with the withdrawal date reported on the day after the last date of attendance.

The District reported 19,486 adult general education hours to FDOE for the 2009-10 fiscal year. Our review of the District's reporting for 15 students in 25 adult general education courses disclosed the following:

- Due to data entry errors, such as posting the incorrect class hours on the master class schedule, the District underreported 265 hours for 5 students.
- Due to calculation errors, the District overreported 70 hours for 2 students.

Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly. A similar finding was noted in our report No. 2010-080.

Recommendation: The District should enhance its controls over the reporting of instructional contact hours for adult general education courses to FDOE. The District should also contact FDOE to determine proper resolution of the misreported hours.

Finding No. 3: Performance Assessments

Section 1012.34(3), Florida Statutes, requires the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of employees, the procedures must primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3), Florida Statutes, at the school where the employee works. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes, include evaluation measures such as the employee's ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction and use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies. Section 1012.34(3)(d), Florida Statutes, requires that, if an employee is not performing satisfactorily, the performance evaluator must notify the employee in writing and describe the unsatisfactory performance.

The District established performance assessment procedures for instructional and school administrators based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes, except that District records did not sufficiently evidence that these employees were evaluated based primarily on student performance. The performance appraisal forms included student growth and achievement as a component of the evaluation, but did not sufficiently evidence a correlation between student performance and employee performance assessments nor that student performance was the primary factor for the overall evaluation rating. For example, the evaluation form did not provide a numeric or percentage indicator to show that student achievement was the primary contributing factor used to evaluate employee performance. Without sufficiently documenting the extent to which student performance affects employee performance, performance assessments of instructional personnel and school administrators are incomplete and may not effectively communicate the employee's accomplishments and shortcomings.

Recommendation: The District should ensure that performance assessments of instructional personnel and school administrators are based primarily on student performance, and maintain records evidencing this.

Finding No. 4: Compensation and Salary Schedules

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

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012(1)(c)2., Florida Statutes. Such policies and procedures could establish and clearly communicate the performance measures affecting instructional employee compensation. Board Policy 6.91 provides that personnel will be paid in accordance with salary schedules as adopted by the Board; however, the Board had not adopted formal policies and procedures establishing the documented process to identify instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes. Such policies and procedures could specify the prescribed factors to be used as a basis for determining differentiated pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2009-10 fiscal year salary schedule and applicable union contract for instructional personnel and school-based administrators provided pay levels based on factors such as job classifications, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes, could be improved, as follows:

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

The instructional personnel salary schedule and union contracts provided salary supplements for additional responsibilities beyond the normal work day, such as supplements for athletic coaches and band directors. The salary schedule and union contracts also provided consideration of differentiated pay for critical shortage areas by providing a salary supplement for speech language pathologists, for school demographics by providing a salary supplement for personnel at schools with 90 percent or more students receiving free or reduced-price meals, and for job performance difficulties by providing instructors higher salaries than paraprofessionals. However, the usefulness and relevance of the established differentiated pay factor for school demographics was not readily apparent since there were no schools that met the District's criteria and no instructional personnel received a salary supplement for school demographics during the 2009-10 fiscal year. In addition, District records did not sufficiently evidence the basis for identifying the critical shortage areas. Such documentation could include records evidencing a minimal number of applicants, high personnel turnover rates, and other factors demonstrating the difficulty of hiring and retaining speech language pathologists.

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

Without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlated to their compensation and the various differentiated pay factors were consistently considered and applied.

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

Finding No. 5: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Section 119.071(5)(a), Florida Statutes, provides that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so, or is imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that if the District collects an individual's SSN, it must provide that individual with a written statement indicating whether the collection of the SSN is authorized or mandatory under Federal or State law, and identifying the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the SSN is collected. This section also provides that SSNs collected by the District may not be used for any purpose other than the purpose provided in the written statement. This section further requires that the District review whether its collection of SSNs is in compliance with the above requirements and immediately discontinue the collection of SSNs for purposes that are not in compliance.

The District obtained SSNs on various forms such as enrollment, volunteer, and on certain documents upon employment. However, due to oversights, the District did not provide parents, legal guardians, or volunteers with notices identifying the purpose for collecting the SSN; the specific Federal or State law governing the collection, use, or release of the SSN for each purpose; or whether collection of the SSN was authorized or mandatory under Federal or State law. Subsequent to our inquiry, the District updated statements provided to parents, legal guardians, and volunteers to identify the specific Federal or State law governing the SSN collection. Effective controls to properly monitor the need for and use of SSNs and ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

Recommendation: The District should continue its efforts to ensure compliance with Section 119.071(5)(a), Florida Statutes.

Finding No. 6: Information Technology – Timely Removal of Access Privileges

Effective management of information technology (IT) access privileges includes the timely removal of such privileges when employment terminations or reassignments occur. Prompt action is necessary to ensure that the access privileges are not misused by former or reassigned employees or others.

Section 6 of the District's Technology Plan provides that within 30 days of an employee's status change or job function change, the Finance Department must send an employee termination report to the Management Information Systems (MIS) Department for removal of employee access privileges to systems and tools. According to District management, the MIS Department removes access privileges of former or reassigned employees at the end of each month after a termination report is generated from the Finance Department. However, based on this procedure, it is possible for a former or reassigned employee's access privileges to remain active for up to 30 days after termination or reassignment of employment. Although our tests of 73 former employees disclosed that their IT access privileges were discontinued, when the access privileges of former or reassigned employees are not promptly removed, the risk is increased that the access privileges could be misused. A similar finding was noted in our report No. 2010-080.

Recommendation: The District should enhance its policy and procedure for notifying the MIS Department of terminating or reassigned employees to ensure that the IT access privileges of former or reassigned employees are promptly removed.

Finding No. 7: Information Technology – Written Policies and Procedures

Each IT function needs complete, well-documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment. As similarly noted in previous audits of the District, most recently in our report No. 2010-080, the District lacked written policies and procedures for the following IT functions:

- Administering security devices (such as firewalls and routers).
- Prohibiting administrator rights on the workstations of end users.
- Monitoring and logging access to and modification of sensitive or critical tables, files, and transactions for the application, database, and network.
- Removing confidential information from consultant and vendor equipment.
- Defining responsibilities, access privileges, and activities for network, database, and security administrators and help desk staff.
- Reporting suspected, and responding to actual, security incidents.
- Transmitting confidential information through electronic mail.

Without written policies and procedures, the risk is increased that District IT controls may not be followed consistently and in a manner pursuant to management's expectations.

Recommendation: The District should establish written policies and procedures to document management's expectations for the performance of the IT functions described above.

Finding No. 8: Information Technology – Disaster Recovery Plan

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

The District had established an IT Disaster Recovery Plan (Plan) and assigned responsibilities for carrying out disaster recovery activities to particular individuals. However, as similarly noted in our report No. 2010-080, the District had not tested the Plan, and the Plan did not include the following key recovery control elements:

- Prioritization of critical operations and data.
- Documentation of procedures to follow when the Northwest Regional Data Center is inoperable.

Disaster recovery plans are an important element of effective internal control over IT operations. When a disaster recovery plan does not include key recovery control elements and has not been tested for feasibility or weaknesses, there is an increased risk that restoration of IT operations may be delayed in the event of a disaster.

Recommendation: **The District should enhance its IT Disaster Recovery Plan by including a prioritized list of critical operations and data and documentation of procedures to follow when service interruptions arise with Northwest Regional Data Center. In addition, the District should annually test the effectiveness of the Plan.**

Finding No. 9: Information Technology – Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain security controls related to user authentication that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Similar findings were noted in previous audits of the District, most recently in our report No. 2010-080. Without adequate security controls related to user authentication, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2010-080.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*WAKULLA COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010*

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
2010-080 (1)	Title I Grants to Local Educational Entities (CFDA No. 84.010) and Special Education - Grants to States (CFDA No. 84.027) / Allowable Costs/Cost Principles	Controls could be enhanced to ensure services are received before payment for such services is made, and documentation of this process is maintained.	Corrected.	Consultants providing services now must complete a Consultant Schedule form that will list the services performed at a particular school. The consultant signs in on this form when he/she arrives and signs out on the form when services are completed. The principal will sign the form verifying services performed and forward the form to the Title I District office. Invoices submitted will be compared to the completed forms before approved for payment.

EXHIBIT A
MANAGEMENT'S RESPONSE



WAKULLA COUNTY SCHOOL BOARD

69 ARRAN ROAD
POST OFFICE BOX 100
CRAWFORDVILLE, FLORIDA 32326
TELEPHONE: (850)926-0065
FAX: (850) 926-0123



DAVID MILLER
SUPERINTENDENT

RAY GRAY
DISTRICT I

MICHAEL SCOTT
DISTRICT II

BECKY COOK
DISTRICT III

GREG THOMAS
DISTRICT IV

JERRY EVANS
DISTRICT V

February 25, 2011

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

Dear Mr. Martin:

The preliminary and tentative findings and recommendations for the fiscal year ending June 30, 2010 have been reviewed with Karen Revell and Stacy Boyd. Our response to the findings and recommendations are listed below.

Finding No. 1: Financial Reporting

District Response: The district has corrected the spreadsheet utilized in compiling its government-wide financial statements to properly credit unrestricted assets for OPEB liabilities.

Finding No. 2: Adult General Education Courses

District Response: The District has contacted FDOE for guidance in enhancing its controls over the reporting of instructional contact hours and the proper resolution of the misreported hours.

Finding No. 3: Performance Assessments

District Response: The district has established performance assessment procedures based on the criteria specified in Section 1012.34(3) Florida Statutes, including an evaluation dimension based on assessment of student performance. The district will work to enhance performance procedures to ensure that performance assessments for instructional personnel and school administrators are based primarily on student performance.

Finding No. 4: Compensation and Salary Schedules

District Response: The district will adopt formal policies and procedures to ensure a portion of each instructional employee's pay is based on performance. Differentiated pay for instructional personnel is

Crawfordville Elementary • Medart Elementary • Shadeville Elementary • Riversink Elementary
Riversprings Middle School • Wakulla Middle School • Wakulla High School
Wakulla Education Center • Sopchoppy Education Center

EXHIBIT A
MANAGEMENT’S RESPONSE (CONTINUED)

identified on the instructional salary schedule and will be identified on the school based administrator salary schedule for fiscal year 2011-2012.

Finding No. 5: Collection of Social Security Numbers

District Response: The district has updated statements provided to all stakeholders to identify the specific Federal or State law governing the collection of Social Security Numbers.

Finding No. 6: Information Technology – Timely Removal of Access Privileges

District Response: The district will enhance its procedures for notifying the MIS Department of the termination or reassignment of employees to ensure IT access privileges are promptly removed or modified.

Finding No. 7: Information Technology – Written Policies and Procedures

District Response: The district will establish written policy to address critical functioning hardware/software security devices and network operation devices. Additional policy will define administrator roles and responsibilities by position, establish a process for timely removal of confidential information from vendor equipment, and a process for reporting and responding to actual security incidents.

Finding No. 8: Information Technology – Disaster Recovery Plan

District Response: The district will expand its Disaster Recovery Plan by testing all critical servers, prioritizing the critical servers as to what order they will be brought back into functioning mode, and having a backup plan for when Northwest Regional Data Center experiences service interruptions.

Finding No 9: Information Technology – Security Controls – User Authentication

District Response: The district will improve its security controls related to user authentication to maintain and improve District Security and Monitoring Policies.

The District accepts your comments and recommendations with regard to its FY 2009-2010 audit report in a positive and constructive manner. All recommendations will be reviewed and considered for implementation during the fiscal year 2010-2011. The District commends your staff on their courtesy and professionalism.

Sincerely,



David Miller
Superintendent, Wakulla County Public Schools

DBM/jld