REPORT NO. 2015-131
MARCH 2015

WAKULLA COUNTY
DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2014

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2013-14 fiscal year are listed below:

	District No.
Ray Gray, Chair	1
Melisa Taylor	2
Becky Cook	3
Greg Thomas, Vice Chair	4
Jerry Evans	5

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

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) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: The District needed to enhance procedures to ensure District records are maintained evidencing timely preparation and approval of bank account reconciliations.

Finding No. 2: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

Finding No. 3: Improvements were needed in controls over reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding No. 4: The District needed to enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan.

Finding No. 5: Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.

Finding No. 6: The District's information technology (IT) disaster recovery plan lacked key disaster recovery control elements and had not been tested.

Finding No. 7: District IT security incident response procedures 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 and Improving Teacher Quality programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

Audit Objectives and Scope

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

- **Presented the District's basic financial statements in accordance with generally accepted accounting principles;**
- **Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;**
- **Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;**
- **Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and**

- **Taken corrective actions for findings included in our report No. 2014-134.**

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, 2014. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Wakulla County District School Board, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 52 percent of the assets and 99 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the discretely presented component unit, which represents 100 percent of the transactions and account balances of the discretely presented component unit columns. Those 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 solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable

assurance about whether the financial statements are free of material misstatement. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

David W. Martin, CPA
Tallahassee, Florida
March 9, 2015

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, 2014. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013-14 fiscal year are as follows:

- In total, net position decreased by $307,570.28, which represents a 0.4 percent decrease compared to the 2012-13 fiscal year.
- During the current fiscal year, General Fund expenditures exceeded revenues by $579,638.50. This may be compared to last fiscal year's results in which General Fund expenditures exceeded revenues by $1,110,568.42.
- The unassigned and assigned fund balances for the General Fund, representing the current financial resources available for general appropriation by the Board, totaled $4,017,195.80, or 11.1 percent of General Fund expenditures, totaling $36,030,391.63. This represents a 7.2 percent increase from the previous year's unassigned and assigned fund balances of $3,748,177.05.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2014, compared to net position as of June 30, 2013:

	Net Position, End of Year					
	Governmental Activities		Business-Type Activities		Total	
	6-30-14	6-30-13	6-30-14	6-30-13	6-30-14	6-30-13
Current and Other Assets	$ 6,873,033.38	$ 7,363,129.37	$ 27,593.96	$ 33,819.97	$ 6,900,627.34	$ 7,396,949.34
Capital Assets	80,737,286.18	80,738,534.03			80,737,286.18	80,738,534.03
Total Assets	87,610,319.56	88,101,663.40	27,593.96	33,819.97	87,637,913.52	88,135,483.37
Long-Term Liabilities	6,651,094.27	6,433,802.56			6,651,094.27	6,433,802.56
Other Liabilities	304,993.29	708,909.60	531.50	3,906.47	305,524.79	712,816.07
Total Liabilities	6,956,087.56	7,142,712.16	531.50	3,906.47	6,956,619.06	7,146,618.63
Net Position:						
Net Investment in Capital Assets	78,777,053.78	78,908,534.03			78,777,053.78	78,908,534.03
Restricted	1,038,184.48	1,144,895.13			1,038,184.48	1,144,895.13
Unrestricted	838,993.74	905,522.08	27,062.46	29,913.50	866,056.20	935,435.58
Total Net Position	$ 80,654,232.00	$ 80,958,951.24	$ 27,062.46	$ 29,913.50	$ 80,681,294.46	$ 80,988,864.74

The largest portion of the District's net position (97.6 percent) is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position (1.3 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (1.1 percent) may be used to meet the District's ongoing obligations to students, employees, and creditors. Net position decreased by $307,570.28 or 0.4 percent.

At the end of the current fiscal year, the District is able to report positive balances in all reported categories of net position for the government as a whole, and for its separate governmental and business-type activities. Positive balances were similarly reported for the prior fiscal year.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2014, and June 30, 2013, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities		Business-Type Activities		Total	
	6-30-14	6-30-13	6-30-14	6-30-13	6-30-14	6-30-13
Program Revenues:						
Charges for Services	$ 594,499.65	$ 656,221.90	$ 102,600.00	$ 95,775.00	$ 697,099.65	$ 751,996.90
Operating Grants and Contributions	3,196,885.99	3,401,061.57			3,196,885.99	3,401,061.57
Capital Grants and Contributions	192,580.00	386,218.94			192,580.00	386,218.94
General Revenues:						
Property Taxes, Levied for Operational Purposes	7,298,555.85	7,564,734.09			7,298,555.85	7,564,734.09
Property Taxes, Levied for Debt Service	641,697.83	646,464.99			641,697.83	646,464.99
Property Taxes, Levied for Capital Projects	1,689,235.29	1,763,072.78			1,689,235.29	1,763,072.78
Grants and Contributions Not Restricted to Specific Programs	28,781,894.25	26,265,801.63			28,781,894.25	26,265,801.63
Unrestricted Investment Earnings	17,150.54	45,487.28			17,150.54	45,487.28
Miscellaneous	604,818.99	474,371.13	584.97	1,000.00	605,403.96	475,371.13
Total Revenues	43,017,318.39	41,203,434.31	103,184.97	96,775.00	43,120,503.36	41,300,209.31
Functions/Program Expenses:						
Instruction	21,307,356.48	20,937,645.79			21,307,356.48	20,937,645.79
Student Personnel Services	2,228,438.45	1,870,009.38			2,228,438.45	1,870,009.38
Instructional Media Services	483,500.73	462,011.32			483,500.73	462,011.32
Instruction and Curriculum Development Services	518,887.50	416,519.64			518,887.50	416,519.64
Instructional Staff Training Services	423,610.91	409,027.78			423,610.91	409,027.78
Instruction Related Technology	410,429.30	302,766.67			410,429.30	302,766.67
School Board	545,469.92	604,014.86			545,469.92	604,014.86
General Administration	516,578.05	478,546.40			516,578.05	478,546.40
School Administration	2,388,391.52	2,490,331.34			2,388,391.52	2,490,331.34
Facilities Acquisition and Construction	614,695.42	132,836.75			614,695.42	132,836.75
Fiscal Services	371,836.29	365,677.92			371,836.29	365,677.92
Food Services	2,092,180.24	2,025,443.46			2,092,180.24	2,025,443.46
Central Services	734,008.86	680,848.43			734,008.86	680,848.43
Student Transportation Services	3,101,844.10	2,712,268.57			3,101,844.10	2,712,268.57
Operation of Plant	4,195,299.69	4,191,154.28			4,195,299.69	4,191,154.28
Maintenance of Plant	1,204,895.45	967,799.12			1,204,895.45	967,799.12
Administrative Technology Services	100,709.71	64,507.62			100,709.71	64,507.62
Community Services	6,279.56	6,183.95			6,279.56	6,183.95
Unallocated Interest on Long-Term Debt	93,170.76	105,187.06			93,170.76	105,187.06
Unallocated Depreciation Expense	1,984,454.69	1,839,844.45			1,984,454.69	1,839,844.45
Small School District Council Consortium			106,036.01	89,580.60	106,036.01	89,580.60
Total Functions/Program Expenses	43,322,037.63	41,062,624.79	106,036.01	89,580.60	43,428,073.64	41,152,205.39
Increase (Decrease) in Net Position	(304,719.24)	140,809.52	(2,851.04)	7,194.40	(307,570.28)	148,003.92
Net Position - Beginning	80,958,951.24	80,818,141.72	29,913.50	22,719.10	80,988,864.74	80,840,860.82
Net Position - Ending	$ 80,654,232.00	$ 80,958,951.24	$ 27,062.46	$ 29,913.50	$ 80,681,294.46	$ 80,988,864.74

The largest revenue source is the State of Florida (64 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Compared to the previous fiscal year, the base student allocation multiplied by the District cost differential increased by 5.8 percent from $3,355.46 per full time equivalent student to $3,548.55 per full time equivalent student. Overall State revenues totaled $27,462,503.77, an increase of $2,057,638.45.

Property tax revenue decreased by $344,782.89 or 3.5 percent, primarily because of the decline in the property tax base from approximately $1,210,216,000 in the 2012-13 fiscal year to approximately $1,170,623,000 in the 2013-14 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the District's chief operating fund. For the current fiscal year, 82.5 percent of revenues and 81.7 percent of expenditures of the governmental funds were accounted for in the General Fund. General Fund State revenues totaled $26,864,148.92, an increase of $2,042,659.22 from the prior fiscal year. During the fiscal year, the total fund balance increased by $146,465.27 to $4,479,113.05. The unassigned and assigned fund balances of the General Fund are an important indicator of the District's financial condition. Through fiscal prudence, the District attempts to maintain an unassigned plus assigned fund balance of at least 5 percent of General Fund revenues for any given fiscal year. At the end of the current fiscal year, unassigned plus assigned fund balance is $4,017,195.80, or 11.3 percent of General Fund revenues totaling $35,450,753.13. The unassigned plus assigned fund balance increased $269,018.75 from the unassigned plus assigned fund balance of $3,748,177.05 in the previous fiscal year.

The Special Revenue – Other Fund is used to account for certain Federal grant program activities, including revenues and expenditures of $2,409,423.22 each. 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 Special Revenue – Federal Economic Stimulus Fund is used to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA). Revenues and expenditures totaled $136,341.45 each for the 2013-14 fiscal year. Because revenue is recognized to the extent that eligible expenditures have been incurred for these Federal grant program resources, the fund does not maintain a fund balance.

The Capital Projects – The Local Capital Improvement Fund and the Capital Projects – Other Fund have total fund balances of $232,614.40 and $1,371,288.00, respectively. Fund balances for these funds are restricted or assigned for the acquisition, construction, and maintenance of capital assets. Of the total fund balances, $144,236.00 and $730,587.00, respectively, has been encumbered for capital outlay projects, including $124,521.77 and $240,972.53 of the respective fund balances for the Doors and Locks Renovation at Wakulla Middle and $408,816.60 of the Capital Projects – Other Fund for the construction of the Welding Shop at Wakulla High.

Proprietary Fund

The only proprietary fund for the District is the Small School District Council Consortium Enterprise Fund which reported unrestricted net position of $27,062.46. This balance represents a 9.5 percent decrease from the previous fiscal year primarily because of the increased costs for the consulting firm used by the Consortium.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2013-14 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of $144,316.48 and an increase in final appropriations of $133,948.74 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 $178,257.65, or 0.5 percent, more than final budgeted amounts, while actual expenditures are $1,656,780.87, or 4.4 percent, less than final budget amounts. The positive variance in expenditures was mainly because instruction and school administration expenditures were less than planned. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $1,883,800.29.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totaled $80,737,286.18 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

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

Long-Term Debt

At June 30, 2014, the District had total long-term debt outstanding of $1,960,232.40, which is comprised of $1,130,000.00 in bonds payable and $830,232.40 in installment-purchases payable. During the current fiscal year, retirement of debt totaled $916,487.60. In August 2013, the District entered into a five year installment-purchase agreement for the acquisition of ten school buses. Additional information on the District's long-term debt can be found in notes I.F.5, II.H and II.I to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Wakulla County District School Board, Post Office Box 100, Crawfordville, FL 32326.

BASIC FINANCIAL STATEMENTS

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	$ 6,242,543.65	$ 27,593.96	$ 6,270,137.61	$ 231,257.00
Investments	25,233.00		25,233.00	25,175.00
Accounts Receivable	1,373.80		1,373.80	
Due from Other Agencies	364,489.51		364,489.51	775.00
Prepaid Items				9,173.00
Inventories	239,393.42		239,393.42	
Capital Assets:				
Nondepreciable Capital Assets	3,765,164.03		3,765,164.03	
Depreciable Capital Assets, Net	76,972,122.15		76,972,122.15	580,967.00
TOTAL ASSETS	87,610,319.56	27,593.96	87,637,913.52	847,347.00
LIABILITIES				
Salaries and Benefits Payable	17,148.33		17,148.33	
Payroll Deductions and Withholdings	6,670.58		6,670.58	
Accounts Payable	100,768.24	531.50	101,299.74	3,687.00
Construction Contracts Payable	139,501.98		139,501.98	
Construction Contracts Payable - Retainage	11,221.12		11,221.12	
Accrued Interest Payable	29,683.04		29,683.04	
Long-Term Liabilities:				
Portion Due Within One Year	1,232,670.07		1,232,670.07	138,592.00
Portion Due After One Year	5,418,424.20		5,418,424.20	73,938.00
TOTAL LIABILITIES	6,956,087.56	531.50	6,956,619.06	216,217.00
NET POSITION				
Net Investment in Capital Assets	78,777,053.78		78,777,053.78	368,437.00
Restricted for:				
State Required Carryover Programs	320,545.44		320,545.44	
Debt Service	16,902.26		16,902.26	
Capital Projects	294,403.55		294,403.55	18,492.00
Food Service	406,333.23		406,333.23	6,159.00
Unrestricted	838,993.74	27,062.46	866,056.20	238,042.00
TOTAL NET POSITION	$ 80,654,232.00	$ 27,062.46	$ 80,681,294.46	$ 631,130.00

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

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WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	$ 21,307,356.48	$ 48,698.44	$	$
Student Personnel Services	2,228,438.45			
Instructional Media Services	483,500.73			
Instruction and Curriculum Development Services	518,887.50			
Instructional Staff Training Services	423,610.91			
Instruction Related Technology	410,429.30			
School Board	545,469.92			
General Administration	516,578.05			
School Administration	2,388,391.52			
Facilities Acquisition and Construction	614,695.42			64,770.99
Fiscal Services	371,836.29			
Food Services	2,092,180.24	545,801.21	1,445,738.99	
Central Services	734,008.86			
Student Transportation Services	3,101,844.10		1,680,302.00	
Operation of Plant	4,195,299.69			
Maintenance of Plant	1,204,895.45		70,845.00	
Administrative Technology Services	100,709.71			
Community Services	6,279.56			
Unallocated Interest on Long-Term Debt	93,170.76			127,809.01
Unallocated Depreciation/Amortization Expense*	1,984,454.69			
Total Governmental Activities	43,322,037.63	594,499.65	3,196,885.99	192,580.00
Business-Type Activities:				
Small School District Council Consortium	106,036.01	102,600.00		
Total Primary Government	$ 43,428,073.64	$ 697,099.65	$ 3,196,885.99	$ 192,580.00
Component Unit				
Wakulla's Charter School of Arts, Science and Technology, Inc.	$ 1,231,784.00	$ 10,361.00	$ 336,618.00	$ 70,845.00

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

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	
$ (21,258,658.04)	$	$ (21,258,658.04)	$
(2,228,438.45)		(2,228,438.45)	
(483,500.73)		(483,500.73)	
(518,887.50)		(518,887.50)	
(423,610.91)		(423,610.91)	
(410,429.30)		(410,429.30)	
(545,469.92)		(545,469.92)	
(516,578.05)		(516,578.05)	
(2,388,391.52)		(2,388,391.52)	
(549,924.43)		(549,924.43)	
(371,836.29)		(371,836.29)	
(100,640.04)		(100,640.04)	
(734,008.86)		(734,008.86)	
(1,421,542.10)		(1,421,542.10)	
(4,195,299.69)		(4,195,299.69)	
(1,134,050.45)		(1,134,050.45)	
(100,709.71)		(100,709.71)	
(6,279.56)		(6,279.56)	
34,638.25		34,638.25	
(1,984,454.69)		(1,984,454.69)	
(39,338,071.99)		(39,338,071.99)	
	(3,436.01)	(3,436.01)	
(39,338,071.99)	(3,436.01)	(39,341,508.00)	
			(813,960.00)
7,298,555.85		7,298,555.85	
641,697.83		641,697.83	
1,689,235.29		1,689,235.29	
28,781,894.25		28,781,894.25	956,674.00
17,150.54		17,150.54	289.00
604,818.99	584.97	605,403.96	
39,033,352.75	584.97	39,033,937.72	956,963.00
(304,719.24)	(2,851.04)	(307,570.28)	143,003.00
80,958,951.24	29,913.50	80,988,864.74	488,127.00
$ 80,654,232.00	$ 27,062.46	$ 80,681,294.46	$ 631,130.00

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
ASSETS				
Cash and Cash Equivalents	$ 4,273,586.42	$ 1,013.64	$	$ 319,266.15
Investments	6,131.73			
Accounts Receivable	1,373.80			
Due from Other Funds	32,882.45			365.95
Due from Other Agencies	218,627.13	54,835.22	2,655.40	
Inventories	135,240.08			
TOTAL ASSETS	$ 4,667,841.61	$ 55,848.86	$ 2,655.40	$ 319,632.10
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and Benefits Payable	$	$ 17,148.33	$	$
Payroll Deductions and Withholdings	5,985.85	248.70	85.25	
Accounts Payable	88,121.23	8,139.53		
Construction Contracts Payable				78,873.82
Construction Contracts Payable - Retainage				8,143.88
Due to Other Funds	94,621.48	30,312.30	2,570.15	
Total Liabilities	188,728.56	55,848.86	2,655.40	87,017.70
Fund Balances:				
Nonspendable:				
Inventories	135,240.08			
Fund B Investments	6,131.73			
Total Nonspendable Fund Balance	141,371.81			
Restricted for:				
State Required Carryover Programs	320,545.44			
Debt Service				
Capital Projects				232,614.40
Food Service				
Total Restricted Fund Balance	320,545.44			232,614.40
Assigned for:				
School Operations	655,007.97			
Capital Projects				
Purchases on Order	168,207.13			
Total Assigned Fund Balance	823,215.10			
Unassigned Fund Balance	3,193,980.70			
Total Fund Balances	4,479,113.05			232,614.40
TOTAL LIABILITIES AND FUND BALANCES	$ 4,667,841.61	$ 55,848.86	$ 2,655.40	$ 319,632.10

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$ 1,282,900.84	$ 365,776.60	$ 6,242,543.65
5,796.61	13,304.66	25,233.00
		1,373.80
94,255.53		127,503.93
52,040.42	36,331.34	364,489.51
	104,153.34	239,393.42
$ 1,434,993.40	$ 519,565.94	$ 7,000,537.31
$	$	$ 17,148.33
	350.78	6,670.58
	4,507.48	100,768.24
60,628.16		139,501.98
3,077.24		11,221.12
		127,503.93
63,705.40	4,858.26	402,814.18
	104,153.34	239,393.42
5,796.61	113.98	12,042.32
5,796.61	104,267.32	251,435.74
		320,545.44
	46,471.32	46,471.32
	61,789.15	294,403.55
	302,179.89	302,179.89
	410,440.36	963,600.20
		655,007.97
1,365,491.39		1,365,491.39
		168,207.13
1,365,491.39		2,188,706.49
		3,193,980.70
1,371,288.00	514,707.68	6,597,723.13
$ 1,434,993.40	$ 519,565.94	$ 7,000,537.31

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014

Total Fund Balances - Governmental Funds		$ 6,597,723.13
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		80,737,286.18
Interest of long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.		(29,683.04)
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:		
Bonds Payable	$ 1,130,000.00	
Installment-Purchases Payable	830,232.40	
Compensated Absences Payable	2,345,477.87	
Other Postemployment Benefits Payable	2,345,384.00	(6,651,094.27)
Net Position - Governmental Activities		$ 80,654,232.00

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, 2014

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
Revenues				
Intergovernmental:				
Federal Direct	$ 80,757.17	$	$	$
Federal Through State and Local	660,225.64	2,409,423.22	136,341.45	
State	26,864,148.92			
Local:				
Property Taxes	7,298,555.85			1,689,235.29
Charges for Services - Food Service				
Miscellaneous	547,065.55			774.75
Total Local Revenues	7,845,621.40			1,690,010.04
Total Revenues	35,450,753.13	2,409,423.22	136,341.45	1,690,010.04
Expenditures				
Current - Education:				
Instruction	19,708,972.65	1,616,537.28	13,812.98	
Student Personnel Services	1,945,158.39	296,837.03	17,595.06	
Instructional Media Services	486,992.94			
Instruction and Curriculum Development Services	433,940.06	62,676.29		
Instructional Staff Training Services	127,338.02	242,105.16	50,601.80	
Instruction Related Technology	412,890.45			
School Board	544,262.81			
General Administration	372,418.54	93,892.83		
School Administration	2,367,508.92			
Facilities Acquisition and Construction	108,689.10	700.00		428,204.70
Fiscal Services	370,438.65			
Food Services	17,630.53			
Central Services	673,304.69	4,020.78	48,601.61	
Student Transportation Services	2,787,151.67	6,034.10		
Operation of Plant	4,168,841.00			
Maintenance of Plant	1,191,923.13			
Administrative Technology Services	99,190.72			
Community Services	6,230.19			
Fixed Capital Outlay:				
Facilities Acquisition and Construction	10,413.95			322,988.14
Other Capital Outlay	197,095.22	86,619.75	5,730.00	60,591.48
Debt Service:				
Principal				216,487.60
Interest and Fiscal Charges				1,822.40
Total Expenditures	36,030,391.63	2,409,423.22	136,341.45	1,030,094.32
Excess (Deficiency) of Revenues Over Expenditures	(579,638.50)			659,915.72
Other Financing Sources (Uses)				
Transfers In	716,999.32			
Proceeds from Installment-Purchases				
Proceeds from Sale of Capital Assets	31,160.00			
Insurance Loss Recoveries	33,531.00			
Transfers Out	(31,430.19)			(646,154.32)
Total Other Financing Sources (Uses)	750,260.13			(646,154.32)
Net Change in Fund Balances	170,621.63			13,761.40
Fund Balances, Beginning	4,332,647.78			218,853.00
Decrease in Nonspendable Inventory	(24,156.36)			
Fund Balances, Ending	$ 4,479,113.05	$ 0.00	$ 0.00	$ 232,614.40

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$	$	$ 80,757.17
	1,422,108.99	4,628,099.30
385,019.69	213,335.16	27,462,503.77
	641,697.83	9,629,488.97
	545,801.21	545,801.21
53,991.92	3,266.55	605,098.77
53,991.92	1,190,765.59	10,780,388.95
439,011.61	2,826,209.74	42,951,749.19
		21,339,322.91
		2,259,590.48
		486,992.94
		496,616.35
		420,044.98
		412,890.45
		544,262.81
		466,311.37
		2,367,508.92
77,858.09		615,451.89
		370,438.65
	2,072,548.13	2,090,178.66
		725,927.08
		2,793,185.77
		4,168,841.00
		1,191,923.13
		99,190.72
		6,230.19
494,421.20		827,823.29
1,046,720.00	34,773.80	1,431,530.25
	700,000.00	916,487.60
	82,298.43	84,120.83
1,618,999.29	2,889,620.36	44,114,870.27
(1,179,987.68)	(63,410.62)	(1,163,121.08)
	31,430.19	748,429.51
1,046,720.00		1,046,720.00
		31,160.00
		33,531.00
(70,845.00)		(748,429.51)
975,875.00	31,430.19	1,111,411.00
(204,112.68)	(31,980.43)	(51,710.08)
1,575,400.68	546,688.11	6,673,589.57
		(24,156.36)
$ 1,371,288.00	$ 514,707.68	$ 6,597,723.13

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, 2014

Net Change in Fund Balances - Governmental Funds		$ (51,710.08)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlay in the current fiscal year.		(1,247.85)
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceed repayments in the current fiscal year.		
Inception of Installment-Purchase	$ (1,046,720.00)	
Bond Principal Repayments	700,000.00	
Installment-Purchase Repayments	216,487.60	(130,232.40)
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 increase in accrued interest during the current fiscal year.		
Accrued Interest 2013-14 Fiscal Year	$ 29,683.04	
Accrued Interest 2012-13 Fiscal Year	(19,369.80)	(10,313.24)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year.		132,108.69
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.		(219,168.00)
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.		(24,156.36)
Change in Net Position - Governmental Activities		$ (304,719.24)

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2014

	Business-Type Activities - Nonmajor Enterprise Fund Small School District Council Consortium
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 27,593.96
LIABILITIES	
Current Liabilities:	
Accounts Payable	531.50
NET POSITION	
Unrestricted	$ 27,062.46

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities - Nonmajor Enterprise Fund Small School District Council Consortium
OPERATING REVENUES	
Charges for Services	$ 102,600.00
Other Receipts	584.97
Total Operating Revenues	103,184.97
OPERATING EXPENSES	
Purchased Services	106,036.01
Operating Loss	(2,851.04)
Total Net Position - Beginning	29,913.50
Total Net Position - Ending	$ 27,062.46

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities - Nonmajor Enterprise Fund Small School District Council Consortium
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Services	$ 102,600.00
Cash Payments to Suppliers for Goods and Services	(109,410.98)
Other Receipts	584.97
Net Cash Used by Operating Activities	(6,226.01)
Cash and Cash Equivalents, Beginning	33,819.97
Cash and Cash Equivalents, Ending	$ 27,593.96

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

Operating Loss	$ (2,851.04)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Payable	(3,374.97)
Net Cash Used by Operating Activities	$ (6,226.01)

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - FIDUCIARY FUNDS
June 30, 2014

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 590,063.00
LIABILITIES	
Internal Accounts Payable	$ 590,063.00

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

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

B. Reporting Entity

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

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

Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the District's component unit. A separate column is used to emphasize that it is legally separate from the District.

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Wakulla's Charter School of Arts, Science and Technology, Inc. is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter school operates under a charter approved by its sponsor, the Board. The charter school is considered to be a component unit of the District because the District is financially accountable for the charter school as the District established the charter school by approval of the charter, which is tantamount to the initial appointment of the charter school, and there is a potential for the charter school to provide specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter school is a public school and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the charter school's audited financial statements for the fiscal year ended June 30, 2014. The audit report is filed in the District's administrative offices.

C. Basis of Presentation: Government-wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- 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, renovation and remodeling projects and debt service payments on installment purchase payable for school buses.

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- Capital Projects – Other Fund – to account for the financial resources generated by various State and local sources to be used for educational capital outlay needs, including new construction, and renovation and remodeling projects.

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

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

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

E. Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met,

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including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

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

F. Assets, Liabilities, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of 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.

2. Investments

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

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

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.84438408 at June 30, 2014. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at

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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.

3. Inventories

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

4. Capital Assets

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

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

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

Description	Estimated Lives
Improvements Other Than Buildings	8 - 35 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 10 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 - 7 years

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

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5. **Long-Term Liabilities**

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

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

6. **Net Position Flow Assumption**

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

7. **Fund Balance Flow Assumptions**

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

8. **Fund Balance Policies**

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District did not have any committed fund balances at June 30, 2014.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has by Board

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the 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 fiscal 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 fiscal year when the adjustments are made.

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

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

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3. **District Property Taxes**

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

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

The Board adopted the 2013 tax levy on September 9, 2013. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

4. **Federal Revenue Sources**

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

5. **Compensated Absences**

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

6. **Proprietary Fund Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for services relating to the Small School District Council

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Consortium. Operating expenses include purchased services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

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

B. Investments

As of June 30, 2014, the District had the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	40 Day Average	$ 6,126,125.83
Fund B	2.86 Year Average	12,042.32
Debt Service Accounts	6 Months	13,190.68
Total Investments, Primary Government		$ 6,151,358.83

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

- Interest Rate Risk

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

Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 2014. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2014, is estimated at 2.86 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

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- Credit Risk

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

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

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

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 3,501,421.43	$	$	$ 3,501,421.43
Land Improvements	6,752.00			6,752.00
Construction in Progress	5,085,418.57	256,990.60	5,085,418.57	256,990.60
Total Capital Assets Not Being Depreciated	8,593,592.00	256,990.60	5,085,418.57	3,765,164.03
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,545,351.06	10,413.95		4,555,765.01
Buildings and Fixed Equipment	91,597,326.69	5,645,837.31	2,729,254.26	94,513,909.74
Furniture, Fixtures, and Equipment	4,752,152.02	258,119.45	356,187.40	4,654,084.07
Motor Vehicles	5,047,476.87	1,174,289.00	487,316.13	5,734,449.74
Audio Visual Materials and Computer Software	271,091.70			271,091.70
Total Capital Assets Being Depreciated	106,213,398.34	7,088,659.71	3,572,757.79	109,729,300.26
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,537,232.25	125,754.59		2,662,986.84
Buildings and Fixed Equipment	24,191,130.35	1,607,144.74	2,729,254.26	23,069,020.83
Furniture, Fixtures, and Equipment	3,485,363.74	243,222.78	356,187.40	3,372,399.12
Motor Vehicles	3,625,468.78	277,024.90	487,316.13	3,415,177.55
Audio Visual Materials and Computer Software	229,261.19	8,332.58		237,593.77
Total Accumulated Depreciation	34,068,456.31	2,261,479.59	3,572,757.79	32,757,178.11
Total Capital Assets Being Depreciated, Net	72,144,942.03	4,827,180.12		76,972,122.15
Governmental Activities Capital Assets, Net	$ 80,738,534.03	$ 5,084,170.72	$ 5,085,418.57	$ 80,737,286.18

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Depreciation expense was charged to functions as follows:

Function		Amount
GOVERNMENTAL ACTIVITIES		
Student Transportation Services	$	277,024.90
Unallocated		1,984,454.69
Total Depreciation Expense - Governmental Activities	$	2,261,479.59

D. Florida Retirement System

Essentially all regular employees of the District are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the 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), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded

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by employer and employee 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 the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	6.95
FRS, Elected County Officers	3.00	33.03
DROP - Applicable to Members from All of the Above Classes	0.00	12.84
FRS, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

(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 including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled $1,476,078.60, $1,549,449.38, and $2,207,465.08, respectively, which were equal to the required contributions for each fiscal year.

There were 79 District participants in the Investment Plan during the 2013-14 fiscal year. The District's contributions including employee contributions to the Investment Plan totaled $201,730.88, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850)413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement, Research and Education Section, by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877)377-1737 or (850)488-5706; by e-mail at rep@dms.myflorida.com; or at the Division's Web site (www.frs.myflorida.com).

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E. Other Postemployment Benefit Obligations

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

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 189 retirees received postemployment life and 21 retirees received postemployment healthcare benefits. The District provided required contributions of $184,622 toward the annual OPEB cost, net of retiree contributions totaling $137,014.30, which represents 0.6 percent of covered payroll.

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

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Description	Amount
Normal Cost (service cost for one year)	$ 177,040
Amortization of Unfunded Actuarial Accrued Liability	318,014
Annual Required Contribution	495,054
Interest on Net OPEB Obligation	72,291
Adjustment to Annual Required Contribution	(163,555)
Annual OPEB Cost (Expense)	403,790
Contribution Toward the OPEB Cost	(184,622)
Change in Net OPEB Obligation	219,168
Net OPEB Obligation, Beginning of Year	2,126,216
Net OPEB Obligation, End of Year	$ 2,345,384

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2014, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	$ 378,935	61.8%	$ 1,915,398
2012-13	392,713	46.3%	2,126,216
2013-14	403,790	45.7%	2,345,384

Funded Status and Funding Progress. As of October 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was $3,931,963, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $3,931,963 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $24,311,735, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 16.2 percent.

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

The District's OPEB actuarial valuation as of October 1, 2012, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2014, and to estimate the District's 2013-14 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.4 percent per year, projected salary increases of 4 percent to 8.375 percent, and an annual healthcare cost trend rate of 8.5 percent initially beginning October 1, 2013, reduced to an ultimate rate of 5.41 percent beginning October 1, 2031. The investment rate of return and projected salary increase rates include a general price inflation of 3 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014, was 12 years.

F. Construction and Other Significant Commitments

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

The following is a schedule of encumbrances at June 30, 2014:

Major Funds					
General	Special Revenue - Other	Capital Projects - Local Capital Improvement	Capital Projects - Other	Nonmajor Governmental Funds	Total Governmental Funds
$ 168,207	$ 54,920	$ 144,236	$ 730,587	$ 212,538	$ 1,310,488

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

Project	Contract Amount	Completed to Date	Balance Committed
Wakulla High School Welding Shop New Construction:			
Architect	$ 26,681.00	$ 18,364.10	$ 8,316.90
Contractor	431,272.00	30,772.30	400,499.70
Wakulla Middle School Doors & Locks Renovation:			
Architect	36,734.98	22,454.00	14,280.98
Contractor	485,583.00	81,438.70	404,144.30
Total	$ 980,270.98	$ 153,029.10	$ 827,241.88

G. Risk Management Programs

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

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

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

H. Installment-Purchase Payable

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

	Asset Balance
School Buses	$ 1,046,720

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

Fiscal Year Ending June 30:	Total	Principal	Interest
2015	$218,310.00	$ 201,290.20	$ 17,019.80
2016	218,310.00	205,416.70	12,893.30
2017	218,310.00	209,627.70	8,682.30
2018	218,310.00	213,897.80	4,412.20
Total Installment-Purchase Payments	$873,240.00	$ 830,232.40	$ 43,007.60

The stated interest rate is 2.05 percent.

I. Long-Term Liabilities

1. Bonds Payable

Bonds payable at June 30, 2014, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005B, Refunding	$ 410,000	5	2018
Series 2009A, Refunding	95,000	5	2019
District General Obligation Bonds:			
Series 1999, Refunding	625,000	4.09	2015
Total Bonds Payable	$ 1,130,000		

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

- State School Bonds

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

- District General Obligation Bonds

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2015	$ 140,250.00	$ 115,000.00	$ 25,250.00
2016	139,500.00	120,000.00	19,500.00
2017	133,500.00	120,000.00	13,500.00
2018	137,500.00	130,000.00	7,500.00
2019	21,000.00	20,000.00	1,000.00
Total State School Bonds	571,750.00	505,000.00	66,750.00
General Obligation Bonds:			
2015	650,917.53	625,000.00	25,917.53
Total	$ 1,222,667.53	$ 1,130,000.00	$ 92,667.53

2. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable	$ 1,830,000.00	$	$ 700,000.00	$ 1,130,000.00	$ 740,000.00
Installment-Purchases Payable		1,046,720.00	216,487.60	830,232.40	201,290.20
Compensated Absences Payable	2,477,586.56	92,290.30	224,398.99	2,345,477.87	291,379.87
Other Postemployment Benefits Payable	2,126,216.00	403,790.00	184,622.00	2,345,384.00	
Total Governmental Activities	$ 6,433,802.56	$ 1,542,800.30	$ 1,325,508.59	$ 6,651,094.27	$ 1,232,670.07

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

J. Fund Balance Reporting

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

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

K. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	$ 32,882.45	$ 94,621.48
Special Revenue:		
Other		30,312.30
Federal Economic Stimulus Fund		2,570.15
Capital Projects:		
Local Capital Improvement	365.95	
Other	94,255.53	
Total	$ 127,503.93	$ 127,503.93

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

L. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2013-14 fiscal year:

Source	Amount
Florida Education Finance Program	$ 20,645,077.00
Categorical Educational Program - Class Size Reduction	5,279,043.00
School Recognition	280,584.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	192,580.00
Workforce Development Program	174,384.00
Voluntary Prekindergarten Program	120,572.82
Charter School Capital Outlay	70,845.00
Miscellaneous	699,417.95
Total	$ 27,462,503.77

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

2. Property Taxes

The following is a summary of millages and taxes levied on the 2013 tax roll for the 2013-14 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.234	$ 6,117,925.24
Basic Discretionary Local Effort	0.748	874,323.29
Voted School Tax:		
Additional Operating	0.500	584,440.70
DEBT SERVICE FUNDS		
Voted Tax:		
Special Tax School District No. 1	0.570	666,262.40
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	1,753,322.10
Total	8.552	$ 9,996,273.73

M. Interfund Transfers

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$ 716,999.32	$ 31,430.19
Capital Projects:		
Local Capital Improvement		646,154.32
Other		70,845.00
Nonmajor Governmental	31,430.19	
Total	$ 748,429.51	$ 748,429.51

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

III. CONSORTIUM

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 75,000.00	$ 75,000.00	$ 80,757.17	$ 5,757.17
Federal Through State and Local	518,442.00	600,442.00	660,225.64	59,783.64
State	26,866,777.00	26,859,093.48	26,864,148.92	5,055.44
Local:				
Property Taxes	7,284,460.00	7,284,460.00	7,298,555.85	14,095.85
Miscellaneous	383,500.00	453,500.00	547,065.55	93,565.55
Total Local Revenues	7,667,960.00	7,737,960.00	7,845,621.40	107,661.40
Total Revenues	35,128,179.00	35,272,495.48	35,450,753.13	178,257.65
Expenditures				
Current - Education:				
Instruction	20,977,958.29	20,841,389.23	19,708,972.65	1,132,416.58
Student Personnel Services	2,122,090.30	2,053,749.28	1,945,158.39	108,590.89
Instructional Media Services	517,651.84	513,721.32	486,992.94	26,728.38
Instruction and Curriculum Development Services	501,512.53	465,337.04	433,940.06	31,396.98
Instructional Staff Training Services	165,522.10	165,734.82	127,338.02	38,396.80
Instruction Related Technology	262,360.28	441,148.01	412,890.45	28,257.56
School Board	517,521.84	544,486.97	544,262.81	224.16
General Administration	362,861.02	378,490.13	372,418.54	6,071.59
School Administration	2,322,990.35	2,380,898.64	2,367,508.92	13,389.72
Facilities Acquisition and Construction	330,508.66	120,451.85	108,689.10	11,762.75
Fiscal Services	394,267.75	381,429.43	370,438.65	10,990.78
Food Services	11,026.15	20,062.68	17,630.53	2,432.15
Central Services	623,538.18	698,904.53	673,304.69	25,599.84
Student Transportation Services	2,833,228.25	2,877,809.19	2,787,151.67	90,657.52
Operation of Plant	4,337,732.22	4,250,961.79	4,168,841.00	82,120.79
Maintenance of Plant	1,124,084.33	1,192,325.68	1,191,923.13	402.55
Administrative Technology Services	141,554.85	145,981.36	99,190.72	46,790.64
Community Services	6,814.82	6,781.38	6,230.19	551.19
Fixed Capital Outlay:				
Facilities Acquisition and Construction		10,413.95	10,413.95	
Other Capital Outlay		197,095.22	197,095.22	
Total Expenditures	37,553,223.76	37,687,172.50	36,030,391.63	1,656,780.87
Deficiency of Revenues Over Expenditures	(2,425,044.76)	(2,414,677.02)	(579,638.50)	1,835,038.52
Other Financing Sources (Uses)				
Transfers In	712,342.00	712,342.00	716,999.32	4,657.32
Proceeds from Sale of Capital Assets			31,160.00	31,160.00
Insurance Loss Recoveries			33,531.00	33,531.00
Transfers Out		(35,000.00)	(31,430.19)	3,569.81
Total Other Financing Sources	712,342.00	677,342.00	750,260.13	72,918.13
Net Change in Fund Balances	(1,712,702.76)	(1,737,335.02)	170,621.63	1,907,956.65
Fund Balances, Beginning	4,332,647.78	4,332,647.78	4,332,647.78	
Decrease in Nonspendable Inventory			(24,156.36)	(24,156.36)
Fund Balances, Ending	$ 2,619,945.02	$ 2,595,312.76	$ 4,479,113.05	$ 1,883,800.29

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ 3,063,830.12	$ 3,286,020.69	$ 2,409,423.22	$ (876,597.47)	$ 128,683.94	$ 136,341.45	$ 136,341.45	$
3,063,830.12	3,286,020.69	2,409,423.22	(876,597.47)	128,683.94	136,341.45	136,341.45	
1,981,112.44	2,056,362.88	1,616,537.28	439,825.60	15,242.39	13,812.98	13,812.98	
152,428.79	401,028.79	296,837.03	104,191.76	17,595.06	17,595.06	17,595.06	
			-				
339,953.51	91,475.31	62,676.29	28,799.02				
448,617.25	445,805.83	242,105.16	203,700.67	47,742.83	50,601.80	50,601.80	
121,766.13	128,576.13	93,892.83	34,683.30				
	700.00	700.00					
	5,500.00	4,020.78	1,479.22	48,103.66	48,601.61	48,601.61	
19,952.00	69,952.00	6,034.10	63,917.90				
	86,619.75	86,619.75			5,730.00	5,730.00	
3,063,830.12	3,286,020.69	2,409,423.22	876,597.47	128,683.94	136,341.45	136,341.45	
$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
October 1, 2007	$ 0	$ 15,477,349	$ 15,477,349	0.0%	$ 14,363,429	107.8%
October 1, 2010	0	3,399,950	3,399,950	0.0%	15,045,711	22.6%
October 1, 2012	0	3,931,963	3,931,963	0.0%	24,311,735	16.2%

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

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014

I. BUDGETARY BASIS OF ACCOUNTING

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

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

II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The October 1, 2012, unfunded actuarial accrued liability of $3,931,963 was significantly higher than the October 1, 2010, liability of $3,399,950 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- Population Changes: The number of retirees currently receiving post-employment health benefits through the District core plan decreased from 36 in the previous valuation to 33 this year. At the same time, the number of active employees eligible for future post-employment benefits decreased from 462 to 428. Combined population changes decreased cost and liability.
- Initial Cost of Coverage: The total cost of coverage increased from $689 per employee per month (as expected from the October 1, 2010, valuation) to $761 per employee per month for year beginning October 1, 2012, which is lower than the projected $814 per employee per month. This change decreased cost and liability.
- Medical Trend Assumptions: Revisions were made in the assumed trend of medical and prescription cost increases. In the October 1, 2010, valuation, the trends for costs and premiums were assumed to be 8 percent for the year beginning October 1, 2013, with rates decreasing 0.5 percent each year thereafter to the ultimate value of 5 percent. The trends for costs and premiums were revised to 8.5 percent then decreased by 0.5 percent each year thereafter to the ultimate value of 5 percent, increasing cost and liability.
- Reflecting Provisions of the Affordable Care Act: The District Plan is not projected to be assessed the Excise Tax on High-Cost Employer Health Plans as soon as that provision becomes effective. Absent any plan changes, this will result in a 0.41 percent increase on the cost of coverage for plan year 2031, in addition to a 5 percent medical inflation assumed for that year for a total increase of 5.41 percent. After 2031, an estimated 0.41 percent increase in trend is assumed for all subsequent years, increasing cost and liability.
- Discount Rate Assumption: A lower discount rate, from 3.75 percent to 3.4 percent, was used in valuing future cash flows, increasing cost and liability.
- Demographic Assumptions: Certain demographic assumptions were revised to reflect changes made to the Florida Retirement System for its July 1, 2011, actuarial valuation, increasing cost and liability.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	13002	$ 298,675.09	$
National School Lunch Program	10.555 (2)	300, 13001, 13003	1,123,433.90	
Total Child Nutrition Cluster			1,422,108.99	
Florida Department of Financial Services:				
Schools and Roads - Grants to States	10.665	None	147,095.86	
Total United States Department of Agriculture			1,569,204.85	
United States Department of the Interior:				
Direct:				
National Park Service Conservation, Protection, Outreach, and Education	15.954	N/A	6,000.00	
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027 (3)	263	1,249,064.83	18,000.00
Special Education - Preschool Grants	84.173	267	52,846.75	
University of South Florida:				
Special Education - Grants to States	84.027 (3)	None	91,496.75	
Putnam County District School Board:				
Special Education - Grants to States	84.027 (3)	None	1,241.03	
Leon County District School Board:				
Special Education - Grants to States	84.027 (3)	None	30,123.19	
Total Special Education Cluster			1,424,772.55	18,000.00
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	57,054.36	
Title I Grants to Local Educational Agencies	84.010	212, 226	784,499.83	72,307.58
Career and Technical Education - Basic Grants to States	84.048	161	99,159.13	
Improving Teacher Quality State Grants	84.367	224	166,798.32	220.68
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RD211, RG311, RG411, RL111	136,341.45	
Total United States Department of Education			2,668,625.64	90,528.26
United States Department of Health and Human Services:				
Indirect:				
North Florida Child Development Inc.:				
Head Start	93.600	None	69,930.00	
United States Department of Homeland Security:				
Indirect:				
Florida Department of Education:				
Homeland Security Grant Program	97.067	532	129,203.98	
United States Department of Defense:				
Direct:				
Navy Junior Reserve Officers Training Corps	None	N/A	74,757.17	
Total Expenditures of Federal Awards			$ 4,517,721.64	$ 90,528.26

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

(2) Noncash Assistance: National School Lunch Program. Includes $120,507.08 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Special Education - Grants to States. Total CFDA No. 84.027 expenditures: $1,371,925.80.

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

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

Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Wakulla County District School Board, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 9, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the District's financial statements. For the discretely presented component unit, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

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

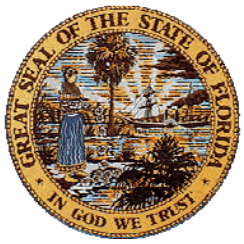
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included in Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,

David W. Martin, CPA
Tallahassee, Florida
March 9, 2015



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

We have audited the Wakulla County District School Board's compliance with the types of compliance requirements described in the *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, 2014. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Respectfully submitted,

David W. Martin, CPA
Tallahassee, Florida
March 9, 2015

WAKULLA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SUMMARY OF AUDITOR'S RESULTS

Financial Statements	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.553 and 10.555	Child Nutrition Cluster
84.367	Improving Teacher Quality State Grants
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, 2014

ADDITIONAL MATTERS

Finding No. 1: Bank Account Reconciliations

Effective internal controls require that reconciliations of bank account balances to general ledger balances be performed on a timely, routine basis and reviewed by supervisory personnel. Such reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, permit prompt detection and correction of unrecorded and improperly recorded cash transactions or bank errors, and provide for the efficient and economic management of cash resources.

During the 2013-14 fiscal year, the District maintained seven bank accounts and at June 30, 2014, the District reported cash balances totaling $116,418. The fiscal secretary was responsible for preparing bank account reconciliations of these accounts, and the chief financial officer was responsible for review and approval of the reconciliations. Although District personnel prepared bank account reconciliations, District records, at the time of our review in September 2014, did not evidence the date certain reconciliations were prepared, reviewed, or approved for several accounts. For example, such information was lacking from the July 2013 through June 2014 food service and accounts payable, March 2014 local capital improvement fund, and April 2014 payroll fund bank account reconciliations.

Timely bank account reconciliations, and supervisory review and approval of the reconciliations, reduce the risk that errors or fraud could occur and not be promptly detected.

Recommendation: The District should enhance its procedures to ensure that District records evidence timely completion, review, and approval of bank account reconciliations.

Finding No. 2: Purchasing Procedures

Board-adopted policies prohibit conflicts of interest and the District has certain procedures to reduce the risk of contractual relationships that cause conflicts of interest. For example, given the small size of the District, the Finance Assistant was aware of related parties and reviewed new vendors to assess whether conflicts of interest could occur prior to entering into procurement transactions or contractual relationships. The Superintendent, Board members, and Chief Financial Officer were required to file statements of financial interests pursuant to Section 112.3145, Florida Statutes. While statements of financial interests were filed as required, these statements were not provided to personnel responsible for procurement decisions for review.

Subsequent to our inquiry in December 2014, Finance Department personnel reviewed the most recent statements of financial interests of the Superintendent and Board members and noted no apparent conflicts of interest. Providing for routine review and consideration of statements of financial interests by personnel responsible for procurement

decisions would enhance the District's procurement practices and reduce the risk of questioned procurement transactions or contractual obligations.

Recommendation: The District should provide for routine review of required statements of financial interests by personnel responsible for making procurement decisions.

Finding No. 3: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and proviso language in Chapter 2013-40, Laws of Florida, Specific Appropriation 117, required that each school district 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.

FDOE procedures 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 also provided that school districts develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance.

For the 2013-14 fiscal year, the District reported to the FDOE 8,054 instructional contact hours for 98 students enrolled in 344 adult general education classes. We randomly selected a representative sample of 2,829 contact hours reported for 30 students enrolled in 120 adult general education classes to test the accuracy of the District's reporting procedures. Our test disclosed that the District over-reported 265 hours for 9 students enrolled in 31 classes. For students withdrawn due to nonattendance, the District incorrectly included a withdrawal date after six consecutive absences instead of the day after the last date of attendance, contrary to FDOE procedures.

Since future funding may be based, in part, on enrollment data reported to the FDOE, it is important that the District reports data correctly. Similar findings were noted in our report Nos. 2013-169 and 2014-134.

Recommendation: The District should strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. The District should also contact the FDOE for proper resolution of the over-reported hours.

Finding No. 4: Health Insurance Plan – Participant Eligibility

For the 2013-14 fiscal year, the Board-adopted collective bargaining agreement required the District to contribute $4,625.38 and $8,589.63 for a single plan or family plan, respectively, toward health insurance for each full-time employee and, pursuant to Section 112.0801, Florida Statutes, retired employees and their dependents participated in the District's health insurance plan at their own expense, but at the rate of current employees. District personnel were responsible for deducting the insurance premium costs from employee pay and submitting payments to the insurance carrier. Employees may enroll in the District's health insurance plan upon employment, during open enrollment periods, and make changes to their coverage outside of open enrollment periods for certain qualifying events such as marriage, divorce, death, or birth of a dependent. For the 2013-14 fiscal year, 444 employees contributed a total of $1,248,589 and 96 retirees contributed total of $113,936 to participate in the District's health insurance plan, and the District contributed $2,723,249 toward the plan. Also, 495 dependents participated in the health insurance plan.

District personnel reconciled health insurance billings to payroll records to ensure that insurance premiums were only for eligible employees and retirees. Also, for dependent insurance changes outside of open enrollment periods, employees and retirees provided evidence of dependents' eligibility for the changes. However, the District did not require employees and retirees purchasing health insurance for their dependents during open enrollment periods to provide documentation, such as birth certificates, evidencing the dependents' eligibility. Without verifying the eligibility of all dependents covered through the District's health insurance plan, there is an increased risk that the dependents receiving insurance coverage may be ineligible participants.

Recommendation: The District should enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan.

Finding No. 5: Virtual Instruction Program Policies and Procedures

Pursuant to Section 1001.41(3), Florida Statutes, school districts are responsible for prescribing and adopting standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. Section 1002.45, Florida Statutes, establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely written parental notification of VIP options; ensure the eligibility of students participating in the VIP; and provide computer equipment, Internet access, and instructional materials to eligible students.

For the 2013-14 fiscal year, District records indicated that two VIP students were enrolled full-time and no students were enrolled part-time; however, the District had not established comprehensive, written policies and procedures to document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, and establish a reliable standard to measure the effectiveness and efficiency of operations. Written policies and procedures would promote compliance with VIP statutory requirements, evidence management's expectations of key personnel, and communicate management's commitment to, and support of, effective controls. Additionally, the lack of comprehensive, written VIP policies and procedures may have contributed to the following instances of noncompliance and control deficiencies:

- Section 1002.45(1)(b), Florida Statutes, requires that the District, because it is located in a sparsely populated county eligible for special funding pursuant to Section 1011.62(7), Florida Statutes, to provide students the option of participating in part-time and full-time VIP. Although the District provided all students the opportunity to participate in full-time virtual instruction, the District did not provide students the opportunity to participate in part-time virtual instruction for the 2013-14 or 2014-15 school years. Without such, the District limited student access to the part-time virtual instruction types, contrary to Section 1002.45(1)(b), Florida Statutes.
- Section 1002.45(10), Florida Statutes, requires that school districts provide information to parents and students about their right to participate in a VIP. Further, Section 1002.45(1)(b), Florida Statutes, requires school districts to provide parents with timely, written notification of the open enrollment periods for their VIPs. District personnel indicated that various communication methods were used to provide information about the District's VIPs to parents and students. Such communication methods included FDOE's Web site listing of county school options and the student progression plan that parents could obtain from the District's Web site. While these methods indicate efforts by District personnel to communicate with parents and students about the VIP for the 2013-14 school year, District records did not evidence that written notifications were provided directly to parents. Without such direct notifications, some parents may not be

informed of available VIP options and associated enrollment periods, potentially limiting student access to virtual instruction types.

- Section 1002.45(2)(a)3., Florida Statutes, requires VIP providers to conduct background screenings for all employees or contracted personnel. The District contracted with the Florida Virtual School (FLVS) for VIP instructors and the contract provided that the FLVS would ensure all employees and contracted personnel obtain the required background screenings. However, the District did not request or obtain confirmation that the nine VIP instructors were subject to background screenings, but relied on the FLVS to obtain the required background screenings. Without effective controls to ensure that VIP provider employees and contracted personnel are subjected to required background screenings, there is an increased risk that these individuals may have backgrounds that are inappropriate for interacting with students and accessing confidential or sensitive District data and information technology resources.

Recommendation: The District should develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities. Such policies and procedures include appropriate action to remedy the instances of noncompliance and control deficiencies identified above.

Finding No. 6: Information Technology – Disaster Recovery Plan

Disaster recovery planning is an element of information technology (IT) controls established to manage the availability of critical data and IT resources in the event of a processing disruption. The primary objective of disaster recovery planning is to provide a plan for continuing critical operations in the event of a major hardware or software failure. An effective disaster recovery plan identifies critical applications, provides for backups of critical data sets, and provides a step-by-step plan for recovery and restoration of data. In addition, plan elements should be tested periodically to disclose any areas not addressed and to facilitate proper conduct in actual disruption of IT operations.

The District participated in the Panhandle Area Educational Consortium (PAEC) and obtains certain IT services, such as financial, payroll, student records, and other critical applications, from the Northwest Regional Data Center (NWRDC). The District, PAEC, and other PAEC member districts entered into a disaster recovery cooperative agreement whereby member districts agreed to serve as alternate-processing sites for each other to access the NWRDC in the event of a disaster that interrupts critical IT operations. In March 2014, the District prepared an IT disaster recovery plan that contained provisions for backups for critical on-site systems and general provisions for the protection and shutdown of computer hardware and equipment; however, the plan lacked the specific processes and procedures to be followed when the NWRDC is inoperable. In addition, the plan had not been tested.

Without a detailed plan for recovery and appropriate testing of the plan, there is an increased risk that the District may be unable to continue critical operations, or maintain availability of data and IT resources, in the event of a disruption of operations. Similar findings were noted in our report Nos. 2013-169 and 2014-134.

Recommendation: The District should update its disaster recovery plan to include the specific processes and procedures to follow when the NWRDC is inoperable and test the plan in a simulated exercise to ensure it includes all the necessary components.

Finding No. 7: Information Technology – Security Incident Response Plan

IT security incident response plans are established by management to ensure an appropriate, effective, and timely response to security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, provisions for a team trained in

incident response, notification to affected parties, periodic review of critical system resources to ensure continued integrity, and incident analysis and assessment of additional actions needed.

District IT procedures included security incident response procedures for identifying and logging significant security events; analyzing security violations and incidents; and issuing security alerts and advisories to District personnel. However, District procedures did not include an established process for reporting security violations and incidents to the appropriate law enforcement agency, notifying affected parties in accordance with Section 501.171 Florida Statutes, effective July 1, 2014 (previously Section 817.5681, Florida Statutes), and periodically reviewing critical system resources. Should an event occur that involves the potential or actual compromise, loss, or destruction of District data or IT resources, the lack of comprehensive security incident response procedures may result in the District's failure to take appropriate and timely action to prevent further loss or damage to the District's data and IT resources. Similar findings were noted in our report Nos. 2013-169 and 2014-134.

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

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2014-134 except as shown in the following table:

Current Fiscal Year Finding Numbers	2012-13 Fiscal Year Audit Report and Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers
3	Audit Report No. 2014-134, Finding No. 1	Audit Report No. 2013-169, Finding No. 3
6	Audit Report No. 2014-134, Finding No. 2	Audit Report No. 2013-169, Finding No. 5
7	Audit Report No. 2014-134, Finding No. 3	Audit Report No. 2013-169, Finding No. 6

Note: Above chart limits recurring findings to two previous audit reports.

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, 2014

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
2014-134		There were no prior Federal findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE

WAKULLA COUNTY SCHOOL BOARD

69 ARRAN ROAD POST
OFFICE BOX 100
CRAWFORDVILLE, FLORIDA 32326
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ROBERT PEARCE
SUPERINTENDENT

VERNA BROCK
DISTRICT I

MELISA TAYLOR
DISTRICT II

BECKY COOK
DISTRICT III

GREG THOMAS
DISTRICT IV

JOANN DANIELS
DISTRICT V

March 5, 2015

Mr. David W. Martin, CPA
Auditor General
111 West Madison Street
Tallahassee, FL 32399

Dear Mr. Martin:

The preliminary and tentative findings and recommendations for the fiscal year ended June 30, 2014 have been reviewed. Our response to the findings and recommendations are as follows:

Finding No. 1: The District needed to enhance procedures to ensure District records are maintained evidencing timely preparation and approval of bank account reconciliations.

Response: The Chief Financial Officer (CFO) will begin to meet monthly with the employee responsible for the bank reconciliations to ensure that bank reconciliations are completed in a timely fashion and to discuss any unreconciled items that may require further inquiry from other personnel to reconcile. Also, the CFO will maintain a listing of monthly reconciliations completed.

Finding No. 2: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

Response: Finance Department personnel have been provided access to the State mandated disclosures of financial interest forms and will monitor current and future forms as received when reviewing and approving procurement decisions.

Finding No. 3: Improvements were needed in controls over reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Response: Review of prior procedure indicated that the incorrect date was being entered into the student records system for students with six consecutive absences. That procedure has been corrected to ensure that the withdrawal date entered is prior to the dates of absence in question.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 4: The District needed to enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan.

Response: The District agrees with the finding and beginning with the next open enrollment period will require any employee making a change to their existing family plan or initiating coverage for dependents to provide the necessary documentation to verify eligibility. Further, the District will consider verifying all dependents covered in future enrollment periods.

Finding No. 5: Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.

Response: The District is currently in the process of developing the necessary policies and procedures to enhance controls over our virtual instruction program (VIP). In addition, efforts are being made to secure the necessary part-time VIP offerings as required by Section 1002.45(1)(b), Florida Statutes.

Finding No. 6: The District's information technology (IT) disaster recovery plan lacked key disaster recovery control elements and had not been tested.

Response: The Finance Department will develop a plan to incorporate into our existing disaster recovery plan that addresses the efforts to be made if our access to our electronic financial records maintained at the Northwest Regional Data Center is inoperable.

Finding No. 7: District IT security incident response procedures needed improvement.

Response: The District will revise our current security incident response plan to include provisions regarding the proper notification to the appropriate law enforcement agencies as needed and periodic review of critical system resources.

The District accepts your comments and recommendations with regard to its 2013-2014 fiscal year audit report in a positive and constructive manner. All recommendations will be reviewed and considered for implementation during the 2014-2015 fiscal year. The District commends your staff on their courtesy and professionalism.

Sincerely,

Robert Pearce
Superintendent, Wakulla County School Board

RPP/rb