

**WAKULLA COUNTY  
DISTRICT SCHOOL BOARD**

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Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended  
June 30, 2008



## BOARD MEMBERS AND SUPERINTENDENT

Wakulla County District School Board members and the Superintendent who served during the 2007-08 fiscal year are listed below:

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

*David Miller, Superintendent*

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

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

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WAKULLA COUNTY DISTRICT SCHOOL BOARD  
TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY .....	i
INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS .....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	3
BASIC FINANCIAL STATEMENTS.....	9
Exhibit – A    Statement of Net Assets .....	9
Exhibit – B    Statement of Activities.....	10
Exhibit – C    Balance Sheet – Governmental Funds .....	12
Exhibit – D    Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	14
Exhibit – E    Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Exhibit – F    Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	18
Exhibit – G    Statement of Net Assets – Proprietary Fund.....	19
Exhibit – H    Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund.....	20
Exhibit – I    Statement of Cash Flows – Proprietary Fund .....	21
Exhibit – J    Statement of Fiduciary Assets and Liabilities – Fiduciary Funds .....	22
Exhibit – K    Notes to Financial Statements .....	23
OTHER REQUIRED SUPPLEMENTARY INFORMATION.....	41
Exhibit – L    Budgetary Comparison Schedule – General Fund.....	41
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	42

WAKULLA COUNTY DISTRICT SCHOOL BOARD  
TABLE OF CONTENTS

	PAGE NO.
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	43
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB <i>CIRCULAR A-133</i> .....	45
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	47
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS .....	53
EXHIBIT – M MANAGEMENT’S RESPONSE .....	54

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## EXECUTIVE SUMMARY

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### 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*; however, we noted certain additional matters as summarized below.

#### ADDITIONAL MATTERS

Finding No. 1: The District did not timely conduct a review and evaluation of the reasons for collection of social security numbers (SSNs), provide a written statement to individuals stating the purpose for collection of the numbers, or certify compliance with the new SSN requirements to the Legislature, contrary to Section 119.071(5)(a), Florida Statutes.

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

Finding No. 3: The District had not developed a fraud policy to provide guidance to employees for communicating known or suspected fraud to the appropriate authority.

Finding No. 4: The District had not implemented a comprehensive security awareness training program.

Finding No. 5: The District lacked written policies and procedures for certain information technology (IT) functions.

Finding No. 6: Certain security controls in the areas of logging, monitoring, and reviewing of IT access; management of access privileges; and user authentication needed improvement.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster program was audited as a major Federal program. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal program tested. However, we did note a compliance and internal control finding as summarized below.

Federal Awards Finding No. 1: Procedures could be enhanced to ensure that the District properly receives purchased services before payments for such services are made, and maintains documentation of the process.

### Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;

- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal program; and
- Taken corrective actions for findings included in our report No. 2008-117.

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, 2008. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

### Audit Methodology

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



David W. Martin, CPA  
AUDITOR GENERAL

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Wakulla County District School Board as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 38 percent of the assets and 71 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of Wakulla's Charter School of Arts, Science and Technology, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Wakulla County District School Board as of June 30, 2008, and the respective changes in

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

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 8) and the **BUDGETARY COMPARISON SCHEDULE** (shown as Exhibit – L) are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular *A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA

March 5, 2009

## 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, 2008. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 9 through 40.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2007-08 fiscal year are as follows:

- In total, net assets increased \$13,914,620.45, which represents a 23.1 percent increase from the 2006-07 fiscal year.
- During the current year, General Fund revenues exceeded expenditures by \$934,603.48. This may be compared to last year's results in which General Fund revenues exceeded expenditures by \$1,396,325.09.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$3,585,590.70 at June 30, 2008, or 9.7 percent of total General Fund expenditures. This represents a 22.5 percent increase from the previous year's unreserved fund balance of \$2,927,934.68.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

## FUND FINANCIAL STATEMENTS

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

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District’s most significant funds. The District’s major funds are the General Fund, Debt Service – Other Fund, Capital Projects – Public Education Capital Outlay 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 Fund to demonstrate compliance with the budget.

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

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

## NOTES TO FINANCIAL STATEMENTS

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2008, compared to net assets as of June 30, 2007:

## Net Assets, End of Year

	Governmental Activities		Business-Type Activities		Total	
	6-30-08	6-30-07	6-30-08	6-30-07	6-30-08	6-30-07
Current	\$ 15,027,754.62	\$ 7,809,489.74	\$ 28,025.87	\$ 30,167.07	\$ 15,055,780.49	\$ 7,839,656.81
Capital Assets	78,783,696.25	61,459,530.64			78,783,696.25	61,459,530.64
<b>Total Assets</b>	<b>93,811,450.87</b>	<b>69,269,020.38</b>	<b>28,025.87</b>	<b>30,167.07</b>	<b>93,839,476.74</b>	<b>69,299,187.45</b>
Long-Term Liabilities	13,569,642.22	8,053,241.87			13,569,642.22	8,053,241.87
Other Liabilities	6,230,212.77	1,111,304.10	76.02	9,716.20	6,230,288.79	1,121,020.30
<b>Total Liabilities</b>	<b>19,799,854.99</b>	<b>9,164,545.97</b>	<b>76.02</b>	<b>9,716.20</b>	<b>19,799,931.01</b>	<b>9,174,262.17</b>
Net Assets:						
Invested in Capital Assets - Net of Related Debt	67,809,090.25	55,979,530.64			67,809,090.25	55,979,530.64
Restricted	4,775,363.77	3,679,948.81			4,775,363.77	3,679,948.81
Unrestricted	1,427,141.86	444,994.96	27,949.85	20,450.87	1,455,091.71	465,445.83
<b>Total Net Assets</b>	<b>\$ 74,011,595.88</b>	<b>\$ 60,104,474.41</b>	<b>\$ 27,949.85</b>	<b>\$ 20,450.87</b>	<b>\$ 74,039,545.73</b>	<b>\$ 60,124,925.28</b>

Net assets increased by 23.1 percent resulting from the increase in governmental activities' net assets of \$13,907,121.47. This increase can be attributed to several factors, primarily the increase in invested in capital assets net of related debt.

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2008, and June 30, 2007, are as follows:

	Operating Results for the Year					
	Governmental Activities		Business-Type Activities		Total	
	6-30-08	6-30-07	6-30-08	6-30-07	6-30-08	6-30-07
<b>Program Revenues:</b>						
Charges for Services	\$ 945,468.24	\$ 963,510.11	\$ 129,000.00	\$ 120,650.00	\$ 1,074,468.24	\$ 1,084,160.11
Operating Grants and Contributions	3,493,262.34	3,102,199.46			3,493,262.34	3,102,199.46
Capital Grants and Contributions	9,520,643.27	3,582,226.91			9,520,643.27	3,582,226.91
<b>General Revenues:</b>						
Property Taxes, Levied for Operational Purposes	8,544,656.06	8,023,586.37			8,544,656.06	8,023,586.37
Property Taxes, Levied for Debt Service	601,838.94	670,591.46			601,838.94	670,591.46
Property Taxes, Levied for Capital Projects	3,018,139.78	2,737,484.70			3,018,139.78	2,737,484.70
Grants and Contributions Not Restricted to Specific Programs	29,235,757.43	27,266,690.08			29,235,757.43	27,266,690.08
Unrestricted Investment Earnings	301,193.55	408,516.20			301,193.55	408,516.20
Miscellaneous	681,426.46	415,890.42			681,426.46	415,890.42
<b>Total Revenues</b>	<b>56,342,386.07</b>	<b>47,170,695.71</b>	<b>129,000.00</b>	<b>120,650.00</b>	<b>56,471,386.07</b>	<b>47,291,345.71</b>
<b>Functions/Program Expenses:</b>						
Instruction	22,849,857.79	21,039,167.84			22,849,857.79	21,039,167.84
Pupil Personnel Services	2,256,742.51	2,165,576.06			2,256,742.51	2,165,576.06
Instructional Media Services	581,338.05	548,750.09			581,338.05	548,750.09
Instruction and Curriculum Development Services	1,364,303.69	1,372,107.63			1,364,303.69	1,372,107.63
Instructional Staff Training Services	75,635.25	110,802.02			75,635.25	110,802.02
Instruction Related Technology	261,754.30	241,914.21			261,754.30	241,914.21
Board of Education	440,413.60	272,153.26			440,413.60	272,153.26
General Administration	593,670.38	699,464.51			593,670.38	699,464.51
School Administration	1,654,448.32	1,520,313.68			1,654,448.32	1,520,313.68
Facilities Acquisition and Construction	188,653.72	253,285.23			188,653.72	253,285.23
Fiscal Services	403,705.11	390,696.31			403,705.11	390,696.31
Food Services	1,873,845.39	1,858,129.77			1,873,845.39	1,858,129.77
Central Services	625,354.97	614,588.88	121,501.02	125,622.63	746,855.99	740,211.51
Pupil Transportation Services	2,753,425.55	2,673,037.43			2,753,425.55	2,673,037.43
Operation of Plant	4,007,904.45	3,731,931.64			4,007,904.45	3,731,931.64
Maintenance of Plant	888,947.89	1,012,509.98			888,947.89	1,012,509.98
Administrative Technology Services	11,372.14	9,594.40			11,372.14	9,594.40
Community Services	4,654.62	4,605.74			4,654.62	4,605.74
Interest on Long-Term Debt	233,064.98	255,141.93			233,064.98	255,141.93
Unallocated Depreciation Expense	1,366,171.89	1,316,981.51			1,366,171.89	1,316,981.51
<b>Total Functions/Program Expenses</b>	<b>42,435,264.60</b>	<b>40,090,752.12</b>	<b>121,501.02</b>	<b>125,622.63</b>	<b>42,556,765.62</b>	<b>40,216,374.75</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 13,907,121.47</b>	<b>\$ 7,079,943.59</b>	<b>\$ 7,498.98</b>	<b>\$ (4,972.63)</b>	<b>\$ 13,914,620.45</b>	<b>\$ 7,074,970.96</b>

State revenues increased by \$7,865,983.13 or 25.9 percent, primarily due to increases in class size reduction operating and Classrooms for Kids funds, and a Public Education Capital Outlay Special Facilities Fund appropriation.

The largest revenue source is the State of Florida. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District’s funding ability based on the local property tax base.

Net assets of the business-type activities are for the Small School District Council Consortium and total \$27,949.85 at June 30, 2008, representing an increase of \$7,498.98 from the previous year. This increase occurred primarily because of increased receipts from participating school districts and decreased payments for central services.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### MAJOR GOVERNMENTAL FUNDS

The General Fund is the chief operating fund of the District. For the current fiscal year, approximately 67 percent of the revenues and 58 percent of the expenditures of the governmental funds were accounted for in the General Fund. The unreserved fund balance of the General Fund is an important indicator of the District's financial condition. The District attempts to maintain an unreserved fund balance of at least 5 percent of General Fund revenues. At the end of the current fiscal year, unreserved fund balance is \$3,585,590.70, or 9.4 percent of General Fund revenues totaling \$37,971,823.56. The unreserved fund balance increased by \$657,656.02, while the total fund balance increased by \$1,002,603.49 during the fiscal year.

The Debt Service – Other Fund, established to account for repayments to the Florida Special Facilities Trust Fund, does not have a fund balance because transfers from capital outlay funds accounted for in this fund are due to the Florida Department of Education, as of June 30, 2008.

The Capital Projects – Public Education Capital Outlay Fund, Capital Projects – Local Capital Improvement Fund, and the Capital Projects – Other Fund have total fund balances of \$960,510.97, \$763,341.90, and \$2,292,410.21, respectively. Fund balances in these funds are restricted for the acquisition, construction, and maintenance of capital assets. The fund balance in the Capital Projects – Public Education Capital Outlay Fund increased due to the Public Education Capital Outlay Special Facilities appropriation received by the District to help fund the construction of the new elementary school. The fund balance in the Capital Projects – Local Capital Improvement Fund increased because the District had no expenditures and only an operating transfer out to the Debt Service – Other Fund for repayments to the Florida Special Facilities Trust Fund. In addition, the fund balance of the Capital Projects – Other Fund decreased due to higher expenditures for the new elementary school project.

### PROPRIETARY FUNDS

The Small School District Council Consortium Enterprise Fund reported unrestricted net assets totaling \$27,949.85 at June 30, 2008, representing a 36.7 percent increase from the previous year. This increase occurred primarily because of increased receipts from participating school districts and decreased payments for purchased services.

### GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2007-08 fiscal year, the District amended its General Fund budget several times, which resulted in a increase in total budgeted revenues amounting to \$170,954.54, or 0.5 percent. At the same time, final appropriations are greater than the original budgeted amounts by \$885,072.20, or 2.3 percent. Budget revisions were necessary to adjust planned expenditures based on changes in available resources.

Actual revenues exceeded final budgeted amounts by \$678,312.02, or 1.8 percent, while actual expenditures were \$1,850,521.53, or 4.8 percent less than final budget amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$2,335,999.76

## CAPITAL ASSETS AND LONG-TERM DEBT

### CAPITAL ASSETS

During the 2006-07 fiscal year the District purchased 101 acres in northern Wakulla County as a site for as many as three future schools. In May 2007, the District began construction on a new 665-student station elementary school at this site. The new school named Riversink Elementary was completed and opened to students in August 2008.

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$78,783,696.25 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; audio visual materials; and computer software.

Additional information on the District's capital assets can be found in Notes 4 and 15 to the financial statements.

### LONG-TERM DEBT

At June 30, 2008, the District has total long-term debt outstanding of \$4,935,000, which is comprised of bonds payable. During the year, retirement of debt totaled \$545,000.

Additional information on the District's long-term debt can be found in Notes 5 through 7 to the financial statements.

## OTHER MATTERS OF SIGNIFICANCE

The property tax base was approximately \$1.370 billion in the 2006-07 fiscal year and \$1.574 billion in the 2007-08 fiscal year, a 14.9 percent increase equal to approximately \$204,000,000.

In the 2007-08 fiscal year, the District received an allocation from the Public Education Capital Outlay and Debt Service Trust Fund – Special Facilities Construction Account totaling \$13,794,701, for the construction of Riversink Elementary School. The District is required to commit certain other capital outlay resources to the project for a three year period beginning with the 2007-08 fiscal year. The District has estimated the commitment to be \$9,891,157, including \$3,851,551 due to the State of Florida Special Facilities Trust Fund, at June 30, 2008.

During the 2007-08 fiscal year, in reaction to declining economic conditions in Florida, the State Legislature convened twice to reduce the overall funding of the FEFP and related State programs. Overall, the District's funding per student decreased by \$148.55, or 2.1 percent, from the amount originally budgeted.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Wakulla County District School Board's finances. Questions concerning any of the information provided in this report 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**

**EXHIBIT - A  
WAKULLA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS  
June 30, 2008**

	Governmental Activities	Primary Government Business-Type Activities	Total	Component Unit
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 5,332,911.80	\$ 28,025.87	\$ 5,332,911.80	\$ 129,292.00
Investments	5,670,330.12		5,698,355.99	
Due from Other Agencies	3,808,343.31		3,808,343.31	
Inventories	216,169.39		216,169.39	
<b>Total Current Assets</b>	<b>15,027,754.62</b>	<b>28,025.87</b>	<b>15,055,780.49</b>	<b>129,292.00</b>
Noncurrent Assets:				
Capital Assets:				
Nondepreciable Capital Assets	22,930,447.37		22,930,447.37	
Depreciable Capital Assets, Net	55,853,248.88		55,853,248.88	415,547.00
<b>Total Noncurrent Assets</b>	<b>78,783,696.25</b>		<b>78,783,696.25</b>	<b>415,547.00</b>
<b>TOTAL ASSETS</b>	<b>\$ 93,811,450.87</b>	<b>\$ 28,025.87</b>	<b>\$ 93,839,476.74</b>	<b>\$ 544,839.00</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Payroll Deductions and Withholdings	\$ 101,727.39	\$ 76.02	\$ 101,727.39	\$ 1,450.00
Accounts Payable	28,819.79		28,895.81	
Construction Contracts Payable	647,221.08		647,221.08	
Construction Contracts Payable - Retainage	1,290,367.22		1,290,367.22	
Due to Other Agencies	3,852,364.03		3,852,364.03	
Accrued Interest Payable	39,549.22		39,549.22	
Deferred Revenue	270,164.04		270,164.04	
Long-Term Liabilities -- Portion Due Within One Year:				
Notes Payable				12,418.00
Bonds Payable	570,000.00		570,000.00	
Special Public Education Capital Outlay Advance Payable	3,469,348.00		3,469,348.00	
Compensated Absences Payable	174,048.73		174,048.73	
<b>Total Current Liabilities</b>	<b>10,443,609.50</b>	<b>76.02</b>	<b>10,443,685.52</b>	<b>13,868.00</b>
Noncurrent Liabilities:				
Long-Term Liabilities -- Portion Due After One Year:				
Notes Payable				200,265.00
Bonds Payable	4,365,000.00		4,365,000.00	
Special Public Education Capital Outlay Advance Payable	2,570,258.00		2,570,258.00	
Compensated Absences Payable	2,420,987.49		2,420,987.49	
<b>Total Noncurrent Liabilities</b>	<b>9,356,245.49</b>		<b>9,356,245.49</b>	<b>200,265.00</b>
<b>Total Liabilities</b>	<b>19,799,854.99</b>	<b>76.02</b>	<b>19,799,931.01</b>	<b>214,133.00</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	67,809,090.25		67,809,090.25	202,864.00
Restricted for:				
State Categorical Programs	690,480.81		690,480.81	
Debt Service	68,619.88		68,619.88	
Capital Projects	4,016,263.08		4,016,263.08	
Unrestricted	1,427,141.86	27,949.85	1,455,091.71	127,842.00
<b>Total Net Assets</b>	<b>74,011,595.88</b>	<b>27,949.85</b>	<b>74,039,545.73</b>	<b>330,706.00</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 93,811,450.87</b>	<b>\$ 28,025.87</b>	<b>\$ 93,839,476.74</b>	<b>\$ 544,839.00</b>

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

**EXHIBIT - B**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 22,849,857.79	\$ 20,079.35	\$	\$
Pupil Personnel Services	2,256,742.51			
Instructional Media Services	581,338.05			
Instruction and Curriculum Development Services	1,364,303.69			
Instructional Staff Training Services	75,635.25			
Instruction Related Technology	261,754.30			
Board of Education	440,413.60			
General Administration	593,670.38			
School Administration	1,654,448.32			
Facilities Acquisition and Construction	188,653.72			9,383,351.09
Fiscal Services	403,705.11			
Food Services	1,873,845.39	925,388.89	1,029,076.34	
Central Services	625,354.97			
Pupil Transportation Services	2,753,425.55		1,996,903.00	
Operation of Plant	4,007,904.45			
Maintenance of Plant	888,947.89		467,283.00	
Administrative Technology Services	11,372.14			
Community Services	4,654.62			
Interest on Long-Term Debt	233,064.98			137,292.18
Unallocated Depreciation Expense	1,366,171.89			
<b>Total Governmental Activities</b>	<b>42,435,264.60</b>	<b>945,468.24</b>	<b>3,493,262.34</b>	<b>9,520,643.27</b>
<b>Business-Type Activities:</b>				
Small School District Council Consortium	121,501.02	129,000.00		
<b>Total Primary Government</b>	<b>\$ 42,556,765.62</b>	<b>\$ 1,074,468.24</b>	<b>\$ 3,493,262.34</b>	<b>\$ 9,520,643.27</b>
<b>Component Unit</b>				
Wakulla's Charter School of Arts, Science and Technology, Inc.	\$ 812,332.00	\$ 18,872.00	\$ 91,327.00	\$ 68,040.00

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

**Total General Revenues**

**Change in Net Assets**

Net Assets - July 1, 2007

**Net Assets - June 30, 2008**

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

EXHIBIT - B

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government		Component Unit
	Business-Type Activities	Total	
\$ (22,829,778.44)	\$	\$ (22,829,778.44)	\$
(2,256,742.51)		(2,256,742.51)	
(581,338.05)		(581,338.05)	
(1,364,303.69)		(1,364,303.69)	
(75,635.25)		(75,635.25)	
(261,754.30)		(261,754.30)	
(440,413.60)		(440,413.60)	
(593,670.38)		(593,670.38)	
(1,654,448.32)		(1,654,448.32)	
9,194,697.37		9,194,697.37	
(403,705.11)		(403,705.11)	
80,619.84		80,619.84	
(625,354.97)		(625,354.97)	
(756,522.55)		(756,522.55)	
(4,007,904.45)		(4,007,904.45)	
(421,664.89)		(421,664.89)	
(11,372.14)		(11,372.14)	
(4,654.62)		(4,654.62)	
(95,772.80)		(95,772.80)	
(1,366,171.89)		(1,366,171.89)	
<u>(28,475,890.75)</u>		<u>(28,475,890.75)</u>	
	7,498.98	7,498.98	
<u>(28,475,890.75)</u>	<u>7,498.98</u>	<u>(28,468,391.77)</u>	
			(634,093.00)
8,544,656.06		8,544,656.06	
601,838.94		601,838.94	
3,018,139.78		3,018,139.78	
29,235,757.43		29,235,757.43	662,880.00
301,193.55		301,193.55	1,993.00
681,426.46		681,426.46	
<u>42,383,012.22</u>		<u>42,383,012.22</u>	<u>664,873.00</u>
13,907,121.47	7,498.98	13,914,620.45	30,780.00
<u>60,104,474.41</u>	<u>20,450.87</u>	<u>60,124,925.28</u>	<u>299,926.00</u>
<u>\$ 74,011,595.88</u>	<u>\$ 27,949.85</u>	<u>\$ 74,039,545.73</u>	<u>\$ 330,706.00</u>

**EXHIBIT - C  
WAKULLA COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2008**

	General Fund	Debt Service - Other Fund	Capital Projects - Public Education Capital Outlay Fund
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash	\$ 2,858,274.04	\$	\$ 2,723.51
Investments	1,511,779.88		915,192.62
Due from Other Funds	11,017.12	3,851,551.00	2,051,332.62
Due from Other Agencies	172,540.37		
Inventories	125,120.31		
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,678,731.72</u></u>	<u><u>\$ 3,851,551.00</u></u>	<u><u>\$ 2,969,248.75</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payroll Deductions and Withholdings Payable	\$ 101,344.61	\$	\$
Accounts Payable	27,524.06		
Construction Contracts Payable			490,727.63
Construction Contracts Payable - Retainage			
Due to Other Funds	56,284.42		1,518,010.15
Due to Other Agencies		3,851,551.00	
Deferred Revenue			
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Liabilities</b>	<u>185,153.09</u>	<u>3,851,551.00</u>	<u>2,008,737.78</u>
Fund Balances:			
Reserved for State Categorical Programs	690,480.81		
Reserved for Encumbrances	92,386.81		960,378.76
Reserved for Inventories	125,120.31		
Reserved for Debt Service			
Unreserved, Reported in:			
General Fund	3,585,590.70		
Special Revenue Funds			
Capital Projects Funds			132.21
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Fund Balances</b>	<u>4,493,578.63</u>	<u>                    </u>	<u>960,510.97</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 4,678,731.72</u></u>	<u><u>\$ 3,851,551.00</u></u>	<u><u>\$ 2,969,248.75</u></u>

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

EXHIBIT - C

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,979,228.76 1,048,129.13	\$ 453,768.73 1,896,424.41 352,853.99 3,621,199.93	\$ 38,916.76 298,804.08 14,603.01 91,049.08	\$ 5,332,911.80 5,670,330.12 6,266,754.73 3,808,343.31 216,169.39
<u>\$ 3,027,357.89</u>	<u>\$ 6,324,247.06</u>	<u>\$ 443,372.93</u>	<u>\$ 21,294,509.35</u>
\$	\$	\$	\$
	265.00 156,493.45 1,290,367.22 2,347,902.19	382.78 1,030.73 80,541.98 813.03 33,355.05	101,727.39 28,819.79 647,221.08 1,290,367.22 6,266,754.73 3,852,364.03 270,164.04
2,264,015.99	236,808.99		
<u>2,264,015.99</u>	<u>4,031,836.85</u>	<u>116,123.57</u>	<u>12,457,418.28</u>
	1,010,273.55	14,467.66 68,619.88 244,161.82	690,480.81 2,077,506.78 125,120.31 68,619.88 3,585,590.70 244,161.82 2,045,610.77
763,341.90	1,282,136.66		
<u>763,341.90</u>	<u>2,292,410.21</u>	<u>327,249.36</u>	<u>8,837,091.07</u>
<u>\$ 3,027,357.89</u>	<u>\$ 6,324,247.06</u>	<u>\$ 443,372.93</u>	<u>\$ 21,294,509.35</u>

**EXHIBIT - D  
WAKULLA COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008**

**Total Fund Balances - Governmental Funds** \$ 8,837,091.07

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 78,783,696.25

Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due. (39,549.22)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Bonds Payable	\$ 4,935,000.00	
Special Public Education Capital Outlay Advance Payable	6,039,606.00	
Compensated Absences Payable	<u>2,595,036.22</u>	<u>(13,569,642.22)</u>

**Total Net Assets - Governmental Activities** \$ 74,011,595.88

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

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**EXHIBIT - E**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2008**

	General Fund	Debt Service - Other Fund	Capital Projects - Public Education Capital Outlay Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 74,174.44	\$	\$
Federal Through State	209,972.63		
Federal Through Local State	147,118.45		
	28,331,350.65		5,819,442.10
Local:			
Taxes	8,544,656.06		
Miscellaneous	664,551.33		26,190.48
	37,971,823.56		5,845,632.58
<b>Total Revenues</b>			
<b>Expenditures</b>			
Current - Education:			
Instruction	21,185,924.91		
Pupil Personnel Services	2,040,564.91		
Instructional Media Services	589,857.71		
Instruction and Curriculum Development Services	1,230,777.69		
Instructional Staff Training Services	65,046.59		
Instruction Related Technology	257,499.77		
Board of Education	440,413.60		
General Administration	534,121.63		
School Administration	1,577,141.97		
Facilities Acquisition and Construction	116,449.85		288.00
Fiscal Services	398,096.80		
Food Services	11,403.47		
Central Services	599,381.45		
Pupil Transportation Services	2,709,609.13		
Operation of Plant	4,077,853.03		
Maintenance of Plant	879,700.21		
Administrative Technology Services	10,835.78		
Community Services	4,654.62		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			12,863,712.96
Other Capital Outlay	307,886.96		12,754.66
Debt Service:			
Principal		3,851,551.00	
Interest and Fiscal Charges			
	37,037,220.08	3,851,551.00	12,876,755.62
<b>Total Expenditures</b>			
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	934,603.48	(3,851,551.00)	(7,031,123.04)
<b>Other Financing Sources (Uses)</b>			
Transfers In	400,614.97	3,851,551.00	
Insurance Loss Recoveries	14,374.71		
Special Public Education Capital Outlay Advance			9,891,156.90
Transfers Out	(400,000.00)		(1,918,625.12)
	14,989.68	3,851,551.00	7,972,531.78
<b>Total Other Financing Sources (Uses)</b>			
<b>Net Change in Fund Balances</b>	949,593.16		941,408.74
Fund Balances, July 1, 2007	3,490,975.14		19,102.23
Increase to Inventory Reserve	53,010.33		
	\$ 4,493,578.63	\$	\$ 960,510.97
<b>Fund Balances, June 30, 2008</b>			

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

EXHIBIT - E

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		3,211,515.22	74,174.44
	3,917,226.21	228,237.97	3,421,487.85
3,018,139.78		601,838.94	147,118.45
9,218.11	558,918.56	939,518.50	38,296,256.93
<u>3,027,357.89</u>	<u>4,476,144.77</u>	<u>4,981,110.63</u>	<u>56,302,069.43</u>
		1,690,915.45	22,876,840.36
		199,441.45	2,240,006.36
		108,446.08	589,857.71
		10,588.66	1,339,223.77
			75,635.25
			257,499.77
		65,460.96	440,413.60
	69,859.15		599,582.59
			1,577,141.97
			186,597.00
		1,861,123.43	398,096.80
		9,064.56	1,872,526.90
		13,137.62	608,446.01
			2,722,746.75
			4,077,853.03
			879,700.21
			10,835.78
			4,654.62
	5,457,136.98		18,320,849.94
	14,358.64	118,130.60	453,130.86
		545,000.00	4,396,551.00
		236,438.67	236,438.67
	<u>5,541,354.77</u>	<u>4,857,747.48</u>	<u>64,164,628.95</u>
<u>3,027,357.89</u>	<u>(1,065,210.00)</u>	<u>123,363.15</u>	<u>(7,862,559.52)</u>
	300,000.00	100,000.00	4,652,165.97
			14,374.71
			9,891,156.90
<u>(2,264,015.99)</u>		<u>(69,524.86)</u>	<u>(4,652,165.97)</u>
<u>(2,264,015.99)</u>	<u>300,000.00</u>	<u>30,475.14</u>	<u>9,905,531.61</u>
763,341.90	(765,210.00)	153,838.29	2,042,972.09
	3,057,620.21	173,411.07	6,741,108.65
			53,010.33
<u>\$ 763,341.90</u>	<u>\$ 2,292,410.21</u>	<u>\$ 327,249.36</u>	<u>\$ 8,837,091.07</u>

**EXHIBIT - F  
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, 2008**

**Net Change in Fund Balances - Governmental Funds** \$ 2,042,972.09

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period. 17,324,165.61

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the net amount by which proceeds exceeded repayments in the current period. (5,494,606.00)

The purchases method of inventory accounting is used in the governmental funds for the transportation inventories, while in the government-wide statements inventories are accounted for on the consumption method. 53,010.33

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. 3,373.79

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period. (21,794.35)

**Change in Net Assets - Governmental Activities** \$ 13,907,121.47

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

**EXHIBIT - G  
WAKULLA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS -  
PROPRIETARY FUND  
June 30, 2008**

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

**ASSETS**

Current Assets:		
Cash and Cash Equivalents	\$	<u>28,025.87</u>

**LIABILITIES**

Current Liabilities:		
Accounts Payable	\$	<u>76.02</u>

**NET ASSETS**

Unrestricted		<u>27,949.85</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b><u>28,025.87</u></b>

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

**EXHIBIT - H**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND**  
**For the Fiscal Year Ended June 30, 2008**

	Business-Type Activities - Nonmajor Enterprise Fund
	<u>Small School District Council Consortium</u>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 129,000.00
<b>OPERATING EXPENSES</b>	
Purchased Services	<u>121,501.02</u>
<b>Operating Income</b>	7,498.98
Total Net Assets, July 1, 2007	<u>20,450.87</u>
<b>Total Net Assets, June 30, 2008</b>	<u><u>\$ 27,949.85</u></u>

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

**EXHIBIT - I**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF CASH FLOWS -**  
**PROPRIETARY FUND**  
**For the Fiscal Year Ended June 30, 2008**

		Business-Type Activities - Nonmajor <u>Enterprise Fund</u> Small School District Council Consortium
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Services	\$	129,000.00
Cash Payments to Suppliers for Goods and Services		<u>(131,141.20)</u>
<b>Net Cash Used by Operating Activities</b>		<u>(2,141.20)</u>
Cash and Cash Equivalents, Beginning		<u>30,167.07</u>
<b>Cash and Cash Equivalents, Ending</b>	<b>\$</b>	<b><u>28,025.87</u></b>
 <b>Reconciliation of Operating Income to Net Cash Used by Operating Activities:</b>		
Operating Income	\$	<u>7,498.98</u>
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:		
Changes in Assets and Liabilities:		
Decrease in Accounts Payable		<u>(9,640.18)</u>
<b>Net Cash Used by Operating Activities</b>	<b>\$</b>	<b><u>(2,141.20)</u></b>

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

**EXHIBIT - J**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -**  
**FIDUCIARY FUNDS**  
**June 30, 2008**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ <u>286,718</u>
<b>LIABILITIES</b>	
Internal Accounts Payable	\$ <u>286,718</u>

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

**EXHIBIT – K**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

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

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

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

- **Discretely Presented Component Unit.** The component unit columns in the basic financial statements, Exhibits A and B, include the financial data of the Wakulla's Charter School of Arts, Science and Technology, Inc. (Charter School). The Charter School is a separate, not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes. The Charter School operates under a charter approved by its sponsor, the Wakulla County District School Board, and is a component unit since it cannot levy taxes and is fiscally dependent on the District for its support. An audit of the Charter School for the fiscal year ended June 30, 2008, was conducted by an independent accounting firm and is on file at the District Office.

➤ **Basis of Presentation**

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

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

**EXHIBIT - K (Continued)**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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

The effects of interfund activity have been eliminated from the government-wide financial statements.

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Debt Service – Other Fund – to account for the accumulation of financial resources for the payment of debt principal, interest, and related costs for the Public Education Capital Outlay Special Facilities Advance Payable.
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources generated by the Public Education Capital Outlay and Debt Service Trust Fund to be used for educational capital outlay needs, including new construction, repair, renovation, and remodeling projects.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.
- Capital Projects – Other Fund – to account for the financial resources generated by various State and local sources, including Classrooms for Kids, 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 a 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.

**EXHIBIT - K (Continued)**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

➤ **Basis of Accounting**

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

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

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

The Proprietary Fund is accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges for services relating to the Small School District Council Consortium. Operating expenses of the Consortium consist of purchased services.

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

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

➤ **Deposits and Investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows considers cash as those accounts used as demand deposit accounts and considers cash equivalents as those amounts held by the State Board of Administration.

**EXHIBIT - K (Continued)**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

Investments consist of amounts placed in State Board of Administration Debt Service accounts for investment of debt service moneys and amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund Investment Pools created by Sections 218.405 and 218.417, Florida Statutes. On December 4, 2007, the State Board of Administration restructured the Local Government Surplus Funds Trust Fund to also establish the Fund B Surplus Funds Trust Fund.

The District's investments in the Local Government Surplus Funds Trust Fund, which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2008, 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 the Fund B Surplus Funds Trust Fund are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.923331 at June 30, 2008. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the State Board of Administration, are effected by transferring eligible cash or securities to the Local Government Surplus Funds Trust Fund, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within the Local Government Surplus Funds Trust Fund.

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the first-in, first-out basis, except that United States Department of Agriculture surplus commodities 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 the individual items are purchased and the reported transportation inventory is equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources."

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. However, for renovations to buildings the threshold 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.

**EXHIBIT - K (Continued)**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	8 - 35 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 10 years
Motor Vehicles	5 - 10 years
Audio Visual Materials	3 years
Computer Software	5 years

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

➤ **Long-Term Liabilities**

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

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

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

➤ **State Revenue Sources**

Revenues from State sources for current operations are primarily from 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 nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

**EXHIBIT - K (Continued)**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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 categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical educational program resources.

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

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

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2007 tax levy on September 10, 2007. 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.

**EXHIBIT - K (Continued)**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

➤ **Federal Revenue Sources**

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

**2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- 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.

**3. INVESTMENTS**

Section 218.415(17), Florida Statutes, authorizes the District to invest in the State Board of Administration Local Government Surplus Funds Trust Fund, any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury.

Investments with a fair value of \$5,422,245.85 at June 30, 2008, are in the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool with a weighted average days to maturity (WAM) of 20.22 days. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The District's investment in the State Board of Administration Local Government Surplus

**EXHIBIT - K (Continued)**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

Funds Trust Fund Investment Pool is rated AAAM by Standard & Poor's. Investments with a fair value of \$246,957.96 at June 30, 2008, are in the State Board of Administration Fund B Surplus Funds Trust Fund with a weighted average life (WAL) of 9.22 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates as of June 30, 2008. The District's investment in the State Board of Administration Fund B Surplus Funds Trust Fund is unrated.

In addition, the District reports investments totaling \$29,152.18 at June 30, 2008, in the State Board of Administration Debt Service accounts to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.

**EXHIBIT - K (Continued)**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Balance 7-1-07	Additions	Deletions	Balance 6-30-08
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 3,501,421.43	\$	\$	\$ 3,501,421.43
Land Improvements - Nondepreciable	6,752.00			6,752.00
Construction in Progress	1,943,601.68	18,320,779.13	842,106.87	19,422,273.94
<b>Total Capital Assets Not Being Depreciated</b>	<b>5,451,775.11</b>	<b>18,320,779.13</b>	<b>842,106.87</b>	<b>22,930,447.37</b>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,219,355.80	17,357.00		3,236,712.80
Buildings and Fixed Equipment	69,334,599.95	842,177.68		70,176,777.63
Furniture, Fixtures, and Equipment	3,962,343.18	318,982.24	295,048.14	3,986,277.28
Motor Vehicles	3,826,176.91	55,032.75		3,881,209.66
Audio Visual Materials	2,833.93		843.25	1,990.68
Computer Software	255,981.78	87,700.80	34,172.01	309,510.57
<b>Total Capital Assets Being Depreciated</b>	<b>80,601,291.55</b>	<b>1,321,250.47</b>	<b>330,063.40</b>	<b>81,592,478.62</b>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,003,423.92	69,804.15		2,073,228.07
Buildings and Fixed Equipment	15,992,936.85	1,143,279.04		17,136,215.89
Furniture, Fixtures, and Equipment	3,531,120.02	125,395.46	295,048.14	3,361,467.34
Motor Vehicles	2,858,004.93	109,585.23		2,967,590.16
Audio Visual Materials	2,833.93		843.25	1,990.68
Computer Software	205,216.37	27,693.24	34,172.01	198,737.60
<b>Total Accumulated Depreciation</b>	<b>24,593,536.02</b>	<b>1,475,757.12</b>	<b>330,063.40</b>	<b>25,739,229.74</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>56,007,755.53</b>	<b>(154,506.65)</b>		<b>55,853,248.88</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 61,459,530.64</b>	<b>\$ 18,166,272.48</b>	<b>\$ 842,106.87</b>	<b>\$ 78,783,696.25</b>

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
<b>GOVERNMENTAL ACTIVITIES</b>	
Pupil Transportation Services	\$ 109,585.23
Unallocated	1,366,171.89
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 1,475,757.12</b>

**EXHIBIT - K (Continued)**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**5. SPECIAL PUBLIC EDUCATION CAPITAL OUTLAY ADVANCE PAYABLE**

The liability at June 30, 2008, of \$6,039,606 represents the amount of the Public Education Capital Outlay Special Facilities allocation expected to be replaced by other District capital outlay sources which are committed under Section 1013.64, Florida Statutes, for funding specific construction needs. The liability is expected to be retired by the close of the 2009-10 fiscal year.

**6. BONDS PAYABLE**

Bonds payable at June 30, 2008, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1999A	\$ 195,000	4.00 - 4.75	2019
Series 2005B, Refunding	865,000	5.00	2018
District General Obligation Bonds:			
Series 1999	<u>3,875,000</u>	4.09	2015
Total Bonds Payable	<u>\$ 4,935,000</u>		

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

➤ **State School Bonds**

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

➤ **District General Obligation Bonds**

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

**EXHIBIT - K (Continued)**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2008, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
<b>State School Bonds:</b>			
2009	\$ 137,243.75	\$ 85,000.00	\$ 52,243.75
2010	133,125.00	85,000.00	48,125.00
2011	133,968.75	90,000.00	43,968.75
2012	129,543.75	90,000.00	39,543.75
2013	130,118.75	95,000.00	35,118.75
2014-2018	691,225.00	595,000.00	96,225.00
2019	20,950.00	20,000.00	950.00
<b>Total State School Bonds</b>	<b>1,376,175.00</b>	<b>1,060,000.00</b>	<b>316,175.00</b>
<b>General Obligation Bonds:</b>			
2009	645,688.72	485,000.00	160,688.72
2010	650,576.72	510,000.00	140,576.72
2011	649,428.00	530,000.00	119,428.00
2012	647,716.92	550,000.00	97,716.92
2013	649,642.50	575,000.00	74,642.50
2014-2015	1,301,715.90	1,225,000.00	76,715.90
<b>Total General Obligation Bonds</b>	<b>4,544,768.76</b>	<b>3,875,000.00</b>	<b>669,768.76</b>
<b>Total</b>	<b>\$5,920,943.76</b>	<b>\$ 4,935,000.00</b>	<b>\$985,943.76</b>

**EXHIBIT - K (Continued)**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**7. CHANGES IN LONG-TERM LIABILITIES**

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

Description	Balance 7-1-07	Additions	Deductions	Balance 6-30-08	Due in One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds Payable	\$ 5,480,000.00	\$	\$ 545,000.00	\$ 4,935,000.00	\$ 570,000.00
Special Public Education Capital Outlay Advance Payable		9,891,156.90	3,851,550.90	6,039,606.00	3,469,348.00
Compensated Absences Payable	<u>2,573,241.87</u>	<u>352,040.58</u>	<u>330,246.23</u>	<u>2,595,036.22</u>	<u>174,048.73</u>
Total Governmental Activities	<u>\$ 8,053,241.87</u>	<u>\$10,243,197.48</u>	<u>\$4,726,797.13</u>	<u>\$ 13,569,642.22</u>	<u>\$ 4,213,396.73</u>

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

**8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 11,017.12	\$ 56,284.42
Debt Service-Other	3,851,551.00	
Capital Projects:		
Public Education Capital Outlay	2,051,332.62	1,518,010.15
Local Capital Improvement		2,264,015.99
Other	352,853.99	2,347,902.19
Nonmajor Governmental		<u>80,541.98</u>
Total	<u>\$ 6,266,754.73</u>	<u>\$ 6,266,754.73</u>

The principle purposes of these balances were related to amounts due to the Debt Service – Other Fund for replacement of the Public Education Capital Outlay (PECO) Special Facilities allocation and amounts due to the Capital Projects – PECO Fund for expenditures paid on behalf of the Capital Projects – Other Fund.

**EXHIBIT - K (Continued)**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 400,614.97	\$ 400,000.00
Debt Service-Other	3,851,551.00	
Capital Projects:		
Public Education Capital Outlay		1,918,625.12
Local Capital Improvement		2,264,015.99
Other	300,000.00	
Nonmajor Governmental	100,000.00	69,524.86
Total	<u>\$ 4,652,165.97</u>	<u>\$ 4,652,165.97</u>

The principle purposes of the interfund transfers related to the replacement of the PECO Special Facilities allocation, the transfer of PECO maintenance funds to the General Fund, and the transfer of General Fund moneys to the Capital Outlay – Other Fund and the Special Revenue – Food Service Fund to supplement capital outlay and food service program operations.

**9. RESERVE FOR ENCUMBRANCES**

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2008-09 fiscal year budget as a result of purchase orders outstanding at June 30, 2008.

**10. INCREASE IN INVENTORY RESERVE**

An adjustment of \$53,010.33 was made on Exhibit - E to increase the fund balance in the General Fund because of the change in the reserve for inventory accounted for under the purchases method in the governmental funds financial statements. See Note 1.

**EXHIBIT - K (Continued)**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**11. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District’s State revenue for the 2007-08 fiscal year:

Florida Education Finance Program	\$ 19,154,879.80
Categorical Educational Programs:	
Class Size Reduction	4,907,398.00
Transportation	1,996,903.00
Instructional Materials	533,201.00
School Recognition	468,698.00
Excellent Teaching Program	321,981.17
Other	254,634.05
Gross Receipts Tax (Public Education Capital Outlay)	5,819,442.10
Classrooms for Kids	3,583,126.00
Workforce Development Program	296,150.00
Discretionary Lottery Funds	234,905.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	200,789.92
Miscellaneous	<u>524,148.89</u>
 Total	 <u><u>\$ 38,296,256.93</u></u>

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

**12. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2007 tax roll for the 2007-08 fiscal year:

	Millages	Taxes Levied
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	4.919	\$ 7,755,542.23
Basic Discretionary Local Effort	0.510	804,091.59
Supplemental Discretionary Local Effort	0.250	394,162.54
<u>DEBT SERVICE FUNDS</u>		
Voted Tax:		
Special Tax School District No. 1	0.400	630,660.07
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>2.000</u>	<u>3,153,300.36</u>
Total	<u><u>8.079</u></u>	<u><u>\$12,737,756.79</u></u>

**EXHIBIT - K (Continued)**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**13. FLORIDA RETIREMENT SYSTEM**

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

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Benefits in PEORP vest after one year of service. There were 86 District participants during the 2007-08 fiscal year. Required contributions made to PEORP totaled \$208,982.71.

**EXHIBIT - K (Continued)**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**FRS Retirement Contribution Rates**

The Florida Legislature establishes, and may amend, contribution rates for each membership class of the FRS. During the 2007-08 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Teacher's Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

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

(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, 2006, June 30, 2007, and June 30, 2008, totaled \$1,607,730.60, \$2,137,744.49, and \$2,429,561.24, respectively, which were equal to the required contributions for each fiscal year.

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

**EXHIBIT - K (Continued)**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

**14. SPECIAL TERMINATION BENEFITS**

School Board policy provides for the payment of special termination incentive benefits to qualifying employees, depending on the termination date and date of notification to the District of the employee’s intention to retire. For each year of service with the District, a qualifying employee will receive termination benefits of one percent of their annual salary, not to exceed a total of 30 percent. Employees who begin service with the District after July 1, 2004, are not eligible for this benefit. In addition to payments of accrued leave and regular termination benefits, the District reported expenditures totaling \$181,632.41 during the 2007-08 fiscal year for special termination incentive benefits.

**15. CONSTRUCTION CONTRACT COMMITMENTS**

The following is a summary of major construction contract commitments remaining at fiscal year-end:

Project	Contract Amount	Completed to Date	Balance Committed
New Construction - Elementary School A:			
Architect	\$ 695,164.00	\$ 677,177.70	\$ 17,986.30
Contractor	12,708,153.14	12,105,157.80	602,995.34
Shadeville Three-Classroom Addition:			
Architect	46,452.00	45,244.30	1,207.70
Contractor	859,312.00	798,514.25	60,797.75
Total	<u>\$ 14,309,081.14</u>	<u>\$ 13,626,094.05</u>	<u>\$ 682,987.09</u>

**16. CONSORTIUMS**

The District is a member of, and the fiscal agent for, the Small School District Council Consortium. The Consortium is an association of small school districts organized to hire a consultant to collect, interpret, and disseminate information regarding educational matters affecting the member districts, as well as consult and communicate as directed to change, influence, and improve 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.

**17. RISK MANAGEMENT PROGRAMS**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Wakulla County District School Board is a member of the Panhandle Area Educational Consortium – Risk Management Consortium under

**EXHIBIT - K (Continued)**  
**WAKULLA COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2008**

which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(10)(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 coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

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

**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**EXHIBIT - L  
WAKULLA COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2008**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 75,000.00	\$ 75,000.00	\$ 74,174.44	\$ (825.56)
Federal Through State	194,000.00	203,729.97	209,972.63	6,242.66
Federal Through Local	171,497.00	281,217.00	147,118.45	(134,098.55)
State	27,961,598.00	27,997,682.44	28,331,350.65	333,668.21
Local:				
Taxes	8,490,462.00	8,506,106.00	8,544,656.06	38,550.06
Miscellaneous	230,000.00	229,776.13	664,551.33	434,775.20
<b>Total Revenues</b>	<b>37,122,557.00</b>	<b>37,293,511.54</b>	<b>37,971,823.56</b>	<b>678,312.02</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	22,313,615.79	22,029,085.09	21,185,924.91	843,160.18
Pupil Personnel Services	2,094,860.27	2,148,148.78	2,040,564.91	107,583.87
Instructional Media Services	555,425.02	634,624.58	589,857.71	44,766.87
Instruction and Curriculum Development Services	1,275,440.45	1,281,496.16	1,230,777.69	50,718.47
Instructional Staff Training Services	128,989.78	159,346.68	65,046.59	94,300.09
Instruction Related Technology	199,854.51	260,327.31	257,499.77	2,827.54
Board of Education	441,570.68	442,346.86	440,413.60	1,933.26
General Administration	434,275.72	553,144.11	534,121.63	19,022.48
School Administration	1,553,871.73	1,584,356.25	1,577,141.97	7,214.28
Facilities Acquisition and Construction	183,887.26	199,666.92	116,449.85	83,217.07
Fiscal Services	403,519.36	404,257.10	398,096.80	6,160.30
Food Services		14,513.00	11,403.47	3,109.53
Central Services	703,579.84	640,901.67	599,381.45	41,520.22
Pupil Transportation Services	2,614,947.99	2,851,523.18	2,709,609.13	141,914.05
Operation of Plant	4,109,465.76	4,254,580.04	4,077,853.03	176,727.01
Maintenance of Plant	974,440.73	1,105,538.17	879,700.21	225,837.96
Administrative Technology Services	10,849.84	10,899.39	10,835.78	63.61
Community Services	4,074.68	5,099.36	4,654.62	444.74
Fixed Capital Outlay:				
Other Capital Outlay		307,886.96	307,886.96	
<b>Total Expenditures</b>	<b>38,002,669.41</b>	<b>38,887,741.61</b>	<b>37,037,220.08</b>	<b>1,850,521.53</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(880,112.41)</b>	<b>(1,594,230.07)</b>	<b>934,603.48</b>	<b>2,528,833.55</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	399,243.00	399,243.00	400,614.97	1,371.97
Insurance Loss Recoveries			14,374.71	14,374.71
Transfers Out	(100,000.00)	(400,000.00)	(400,000.00)	
<b>Total Other Financing Sources (Uses)</b>	<b>299,243.00</b>	<b>(757.00)</b>	<b>14,989.68</b>	<b>15,746.68</b>
<b>Net Change in Fund Balance</b>	<b>(580,869.41)</b>	<b>(1,594,987.07)</b>	<b>949,593.16</b>	<b>2,544,580.23</b>
Fund Balance, July 1, 2007	3,752,565.94	3,752,565.94	3,490,975.14	(261,590.80)
Increase to Inventory Reserve			53,010.33	53,010.33
<b>Fund Balance, June 30, 2008</b>	<b>\$ 3,171,696.53</b>	<b>\$ 2,157,578.87</b>	<b>\$ 4,493,578.63</b>	<b>\$ 2,335,999.76</b>

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**WAKULLA COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2008**

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
<b>United States Department of Agriculture:</b>				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 180,611.65	\$
National School Lunch Program	10.555	300	695,637.61	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	<u>119,588.47</u>	
<b>Total Child Nutrition Cluster</b>			<u>995,837.73</u>	
Florida Department of Financial Services:				
Schools and Roads - Grants to States	10.665	None	<u>103,132.48</u>	
<b>Total United States Department of Agriculture</b>			<u>1,098,970.21</u>	
<b>United States Department of Labor:</b>				
Indirect:				
Florida's Great Northwest, Inc.:				
WIA - Pilots, Demonstrations, and Research Projects	17.261	None	<u>9,374.67</u>	
<b>United States Department of Education:</b>				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	1,095,857.82	25,000.00
Special Education - Preschool Grants	84.173	267	55,615.21	
Putnam County District School Board:				
Special Education - Grants to States	84.027	None	92,869.90	
Leon County District School Board:				
Special Education - Grants to States	84.027	None	19,383.00	
University of South Florida:				
Special Education - Grants to States	84.027	None	<u>4,400.00</u>	
<b>Total Special Education Cluster</b>			1,268,125.93	25,000.00
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	42,749.18	
Title I Grants to Local Educational Agencies	84.010	212, 222	669,661.58	51,742.00
Career and Technical Education - Basic Grants to States	84.048	151	111,223.17	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	17,658.84	
State Grants for Innovative Programs	84.298	113	2,529.82	
Education Technology State Grants	84.318	121	5,069.07	
Improving Teacher Quality State Grants	84.367	224	<u>195,110.11</u>	4,000.00
<b>Total United States Department of Education</b>			<u>2,312,127.70</u>	<u>80,742.00</u>
<b>United States Department of Health and Human Services:</b>				
Indirect:				
Early Learning Coalition of the Big Bend Region, Inc.:				
Temporary Assistance for Needy Families	93.558	None	5,781.22	
Child Care and Development Block Grant	93.575	None	19,683.73	
Social Services Block Grant	93.667	None	<u>25.93</u>	
<b>Total United States Department of Health and Human Services</b>			<u>25,490.88</u>	
<b>Corporation for National and Community Service:</b>				
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	234	<u>11,563.08</u>	
<b>United States Department of Defense:</b>				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	<u>74,174.44</u>	
<b>Total Expenditures of Federal Awards</b>			<u>\$ 3,531,700.98</u>	<u>\$ 80,742.00</u>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2007-08 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance - National School Lunch Program. Represents the amount of donated food used during the 2007-08 fiscal year. Commodities are valued at fair value as determined at the time of donation.



David W. Martin, CPA  
AUDITOR GENERAL

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Wakulla County District School Board as of and for the fiscal year ended June 30, 2008, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Wakulla County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the school internal funds were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted

accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

### **Compliance and Other Matters**

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

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

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

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

Respectfully submitted,



David W. Martin, CPA

March 5, 2009



David W. Martin, CPA  
AUDITOR GENERAL

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

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

### Compliance

We have audited the Wakulla County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major Federal program for the fiscal year ended June 30, 2008. The District's major Federal program is identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the District's major Federal program is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major Federal program for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB *Circular A-133* and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

## Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we considered to be a significant deficiency.

A *control deficiency* in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control. We did not consider the Federal Awards control deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report to be a material weakness.

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

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

Respectfully submitted,



David W. Martin, CPA  
March 5, 2009

**WAKULLA COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major program:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	Yes
Type of report the auditor issued on compliance for the major program:	Unqualified for the major program
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB <i>Circular A-133</i> ?	Yes
Identification of major program:	Special Education Cluster (CFDA Nos. 84.027 and 84.173)
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, 2008**

**ADDITIONAL MATTERS**

**Finding No. 1: Collection of Social Security Numbers**

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

Effective October 1, 2007, Section 119.071(5)(a), Florida Statutes, as amended by Chapter 2007-251, Laws of Florida, provides that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so; or it is imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that an agency collecting an individual's SSN provide that individual with a copy of the written statement indicating the purpose for collecting the number, and that SSNs collected by an agency not be used for any purpose other than the purpose provided in the written statement. This section also requires that the District review whether its collection of SSNs is in compliance with the above requirements; immediately discontinue the collection of SSNs for purposes that are not in compliance; and certify to the President of the Senate and the Speaker of the House of Representatives its compliance with these requirements no later than January 31, 2008. Further, by this date, the District was required to file a report with the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives listing the identity of all commercial entities that have requested SSNs during the preceding calendar year and the specific purposes stated by each commercial entity regarding its need for SSNs. If no disclosure requests were made, the District was required to so indicate.

The District collects SSNs from students, employees, and prospective employees for record keeping and tax related purposes. Our review disclosed that, contrary to the above law, the District did not conduct the required review and evaluation of the reasons for collection of SSNs or prepare written statements notifying individuals of the purpose for collection of the numbers. Further, contrary to the above law, the District did not timely certify to the Legislature that it complied with Section 119.071(5)(a), Florida Statutes, or report to the Governor and Legislature the identity of all commercial entities that requested SSNs during the preceding calendar year. Effective controls to properly monitor the need for and use of SSNs and ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes. Subsequent to our inquiries, District management initiated actions to comply with the requirements of Section 119.071(5)(a), Florida Statutes, by filing the compliance certification and report of commercial entities with the Governor and Legislature, as applicable, discontinuing collection of SSNs from students, and providing written reasons for collecting SSNs from prospective employees.

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**Recommendation:** The District should continue its efforts to comply with Section 119.071(5)(a), Florida Statutes, and properly monitor its collection and use of social security numbers.

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**Finding No. 2: Adult General Education Courses**

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Section 1004.02(3), Florida Statutes defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2007-72, Laws of Florida, Specific Appropriation 125, provides that each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education's (FDOE) instructional hours reporting procedures.

Procedures provided by FDOE to the school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures for reporting instructional hours stated that institutions must develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date shall be six consecutive absences from a class schedule.

Our review disclosed that the District needed to improve controls over enrollment reporting. We tested the hours reported to FDOE for 25 students enrolled in 42 adult general education classes, and noted that for 22 classes, the District overreported 457 hours for eight students that had at least six consecutive absences. Inquiry disclosed that this occurred because District personnel misinterpreted FDOE's guidance, and reported hours for days of nonattendance. According to District records, hours overreported ranged from 3 to 69 hours for these eight students. Further, FDOE records indicated that the District reported 136 hours more than the District records evidenced. Based on inquiry with District personnel and review of District records, no explanation was provided for the additional hours evidenced by FDOE records. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly.

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**Recommendation:** The District should enhance its controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.

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**Finding No. 3: Policies for Reporting Fraud**

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The District had not developed policies communicating and reporting known or suspected fraud. Such policies should clearly identify actions constituting fraud, incident reporting procedures, responsibility for fraud investigation, and consequences for fraudulent behavior. Fraud policies are necessary to educate employees about proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies serve to establish the responsibilities for investigating potential incidents of fraud, taking appropriate action, reporting evidence of such action to the appropriate authorities, and to avoid damaging the reputations of persons suspected of fraud but subsequently found innocent. Further, in the absence of such policies, the risk increases that a known or suspected fraud may be identified but not reported to the appropriate authority.

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**Recommendation:** To aid in the detection and prevention of fraud, the District should develop policies for communicating and reporting fraud to the appropriate authority.

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**Finding No. 4: Information Technology – Security Awareness Training Program**

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The District had not implemented a comprehensive security awareness training program to apprise new employees of, or reemphasize to current employees, the importance of preserving the confidentiality, integrity, and availability of data and information technology (IT) resources entrusted to them. Significant nonpublic records (e.g., student record information and other records that contain sensitive information) are included in the data maintained by the District's IT systems. Although the District had developed an acceptable use policy that covered, among other things, appropriate Internet, e-mail, and network resource usage, employees were not required to acknowledge in writing their awareness, understanding, and acceptance of security-related responsibilities on an annual basis. Additionally, although the District provided annual training for certain employees, it did not have a comprehensive security awareness training program to facilitate all employees' ongoing education and training on security responsibilities, including acceptable or prohibited methods for storage and transmission of data, password protection and usage, malicious software and virus threats, workstation controls, and handling of confidential information. The District's failure to implement a comprehensive security awareness training program increases the risk that the District's IT resources could be intentionally or unintentionally compromised by employees while performing their assigned duties.

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**Recommendation:** The District should promote security awareness through a comprehensive training program to ensure that all employees are aware of the importance of information handled and their responsibilities for maintaining its confidentiality, integrity, and availability. Additionally, the District should require all employees to acknowledge in writing their understanding and acceptance of security-related responsibilities on an annual basis.

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**Finding No. 5: Information Technology – Written Policies and Procedures**

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Each IT function needs complete, well documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment. The District lacked written policies and procedures for the following IT functions:

- Administering user identification codes (IDs), administrator IDs, administrator passwords, guest accounts, and security devices (such as firewalls and routers).
- Changing or deleting vendor-supplied passwords upon installation.
- Resetting user passwords, including positive identification of the user.
- Prohibiting administrator rights on the workstations of end users.
- Monitoring and logging access to and modification of sensitive or critical tables, files, and transactions for the application, database, and network.
- Revoking access privileges of former or reassigned employees, consultants, and vendors.
- Removing confidential information from consultant and vendor equipment.
- Defining responsibilities, access privileges, and activities for network, database, and security administrators and help desk staff.

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

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

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**Finding No. 6: Information Technology – Security Controls**

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Security controls over the District's resources are intended to protect the confidentiality, integrity, and availability of data and IT resources from unauthorized users. Our audit disclosed certain security controls in the areas of logging, monitoring, and review of access; management of access privileges; and user authentication that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising the District's data and IT resources. However, we have notified appropriate District management of the specific issues. Without appropriate security controls, the confidentiality, integrity and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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**Recommendation:** The District should implement appropriate security controls to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

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**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

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**Federal Awards Finding No. 1:**  
**Federal Agency:** United States Department of Education  
**Pass-Through Entity:** Florida Department of Education  
**Program:** Special Education Cluster (CFDA No. 84.027)  
**Finding Type:** Noncompliance and Significant Deficiency  
**Questioned Costs:** Not Applicable

**Allowable Costs/Cost Principles.** Improvements could be made in controls over monitoring charges to the Special Education program. The United States Office of Management Services and Budget *Circular A-87*, Attachment A, Section C.1, provides, in part, that costs must be adequately documented to be allowable under Federal awards. For the 2007-08 fiscal year, the District reported Special Education – Grants to States program expenditures, totaling approximately \$1.2 million, for salaries and benefits, purchased services, and other costs.

To determine whether the District verified and documented that services were properly received before payments were made, we reviewed supporting documentation for all payments, totaling approximately \$39,000, made to two contractors; however, we noted certain control deficiencies over this process. The District entered into agreements with the two contractors for behavioral assessments, art therapy, and consultation services, and the payments were based on contractor-provided invoices which listed the contractor employee names and services times. However, District records, such as sign-in/sign-out sheets, were not available to evidence that District personnel verified that the services were received before payments, totaling approximately \$37,000, were made. Subsequent to our inquiry, school personnel that either worked directly with the contractors, or had knowledge of the time worked by the contractors, provided written certifications for the amounts billed and paid which demonstrated the allowability of the expenditures. When Federal charges are not properly monitored, the risk increases that services may not be performed in accordance with grant terms and District intentions.

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**Recommendation:** The District should enhance procedures to ensure that the District receives purchased services before payments for such services are made, and maintains documentation of the process.

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District Contact Person: Randy Beach, Chief Financial Officer

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2008-117.

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**MANAGEMENT'S RESPONSE**

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Management's response is included as Exhibit – M.

**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, 2008*

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
2008-117		No prior Federal audit findings.		

EXHIBIT – M  
MANAGEMENT’S RESPONSE



DAVID MILLER  
SUPERINTENDENT

RAY GRAY  
DISTRICT I

MICHAEL SCOTT  
DISTRICT II

WAKULLA COUNTY SCHOOL BOARD

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BECKY COOK  
DISTRICT III

GREG THOMAS  
DISTRICT IV

JERRY EVANS  
DISTRICT V

February 18, 2009

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

Dear Mr. Martin:

The preliminary and tentative findings and recommendations for the fiscal year ending June 30, 2008 have been reviewed with Karen Revell, Nicole Cope, Nancy Reeder and Deidre Melton. Our response to the findings and recommendations are listed below.

Finding No. 1: Collection of Social Security Numbers

The District will continue to monitor the collection of social security numbers, has filed the compliance certification and the report of commercial entities with the Governor and the Legislature.

Finding No. 2: Adult General Education Courses

The District provided training to the personnel responsible for reporting instructional contact hours for the adult general education courses to the Florida Department of Education. The reporting requirements have been incorporated into the Adult Education Procedures Manual and will be reviewed at the end of each reporting period for compliance.

Finding No. 3: Policies for Reporting Fraud

The School Board approved School Board Policy 6.30 – Anti-Fraud for advertising at the regularly scheduled School Board meeting on February 17, 2009. The policy will receive final approval at the School Board meeting scheduled for March 16, 2009.

Find No. 4: Information Technology – Security Awareness Training Program

The District will provide security awareness training to all employees through web-based technology. All users will acknowledge their understanding and acceptance of security related responsibilities on an annual basis.

Finding No. 5: Information Technology – Written Policies and Procedures

The District will establish written policies and procedures to document management's expectations regarding the "scope of" and activities of its users and vendors.

Finding No. 6: Information Technology – Security Controls

The District will implement appropriate security controls to ensure the continued confidentiality, integrity, and availability of district data and IT resources.

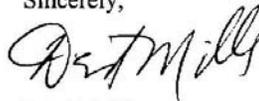
Federal Award Findings

Finding No. 1: Allowable Costs/Cost Principles

The District has enhanced its procedures to include sign in/sign out sheets with verification by the school site administrator or designee. The procedures are outlined and discussed with the vendor prior to the contract being approved by the School Board.

The District accepts your comments and recommendations with regard to its FY 2007-2008 audit report in a positive and constructive manner. All recommendations will be reviewed and considered for implementation during the fiscal year 2008-2009. The District commends your staff on their courtesy and professionalism.

Sincerely,



David Miller  
Superintendent

DM/ab