

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2009



BOARD MEMBERS AND SUPERINTENDENTS

Calhoun County District School Board members and the Superintendents who served during the 2008-09 fiscal year are listed below:

	<u>District No.</u>
Daniel E. Ryals, III, from 11-18-08	1
Grant Williams to 11-17-08, Chair	1
Kelly E. King, Vice Chair to 11-17-08, Chair from 11-18-08	2
Timothy G. Smith, Vice Chair from 11-18-08	3
Kenneth F. Speights from 11-18-08	4
Willie A. Brown, Jr., to 11-17-08	4
Danny M. Hassig	5

Wilson T. McClellan, Superintendent from 11-18-08

Mary Sue Neves, Superintendent to 11-17-08

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 Melissa F. Hall, CPA, and the audit was supervised by Patricia S. Crutchfield, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**CALHOUN COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS:

Finding No. 1: Controls over journal entries could be enhanced.

Finding No. 2: The District had not developed policies to provide professional liability insurance for design professionals, nor did the District require design professionals to carry such insurance.

Summary of Report on Federal Awards

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

Federal Awards Finding No. 1: Contrary to registration requirements for Federal awards, the District did not timely renew its registration in the Central Contractor Registration database.

Audit Objectives and Scope

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

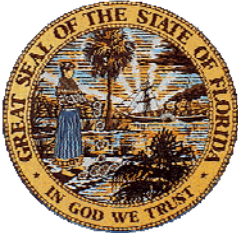
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2009-044.

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, 2009. 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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111 West Madison Street
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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, each major fund, and the aggregate remaining fund information of the Calhoun County District School Board, as of and for the fiscal year ended June 30, 2009, 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 12 percent of the assets and 50 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based on the report 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 report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Calhoun County District School Board as of June 30, 2009, 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 Calhoun 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 10) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 42 through 44) are not required parts 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
November 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Calhoun County District School Board has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the District's financial activities, (c) identify changes in the District's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

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.

FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

Key highlights for the 2008-09 fiscal year are as follows:

- The District's total net assets increased \$1,793,046.02, or 10.9 percent.
- General revenues total \$18,038,367.42, or 88.2 percent of all revenues in the 2008-09 fiscal year, compared to \$18,685,005.97, or 89.9 percent in the prior year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$2,421,421.91, or 11.8 percent, compared to \$2,096,610.64, or 10.1 percent in the prior year.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$2,734,431.28 at June 30, 2009, or 16.2 percent of General Fund expenditures, compared to \$3,468,546.26 or 19.7 percent at June 30, 2008.
- During the current year, General Fund expenditures exceeded revenues by \$673,329.56. This may be compared to last year's results in which General Fund expenditures exceeded revenues by \$514,483.55.
- Funding from the Florida Education Finance Program (FEFP) decreased \$794,314 from the 2007-08 fiscal year.
- The District began collecting sales tax January 1, 2009, as a result of the referendum passed by the voters in 2008.
- The District received \$2,035,000 from the State of Florida, Department of Environmental Protection, which is reported as an extraordinary item in the financial statements. The Board intends to use these funds for the replacement of classrooms at Altha School that were demolished.
- The District purchased land on Highway 69 North to be used as the site for the new Blountstown High School.
- The District's student enrollment increased by 25 students or 1 percent from the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

In addition to the basic financial statements, this report presents certain required supplementary information which includes management's discussion and analysis, the budgetary comparison schedule, and the schedule of funding progress for postemployment healthcare benefits.

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 activities of the District 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.

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and State revenues provide most of the resources that support these activities.

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

Fund Financial Statements

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

Special Revenue – Food Service Fund, Special Revenue – Other Fund, and Capital Projects – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. The internal service fund is the only proprietary fund maintained by the District. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for the District's Employee Health Self-Insurance Program. Since these services predominantly benefit governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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

The District uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

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, 2009, compared to net assets as of June 30, 2008:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-09	6-30-08
Current Assets	\$ 7,823,272.19	\$ 6,929,996.41
Capital Assets	12,332,315.26	11,754,418.09
Total Assets	20,155,587.45	18,684,414.50
Long-Term Liabilities	1,365,125.52	1,126,433.51
Other Liabilities	531,538.52	1,092,103.60
Total Liabilities	1,896,664.04	2,218,537.11
Net Assets:		
Invested in Capital Assets	12,332,315.26	11,754,418.09
Restricted	2,871,404.60	902,965.65
Unrestricted	3,055,203.55	3,808,493.65
Total Net Assets	\$ 18,258,923.41	\$ 16,465,877.39

The largest portion of the District’s net assets (67 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District’s net assets (16 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (17 percent) may be used to meet the government’s ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2009, and June 30, 2008, are as follows:

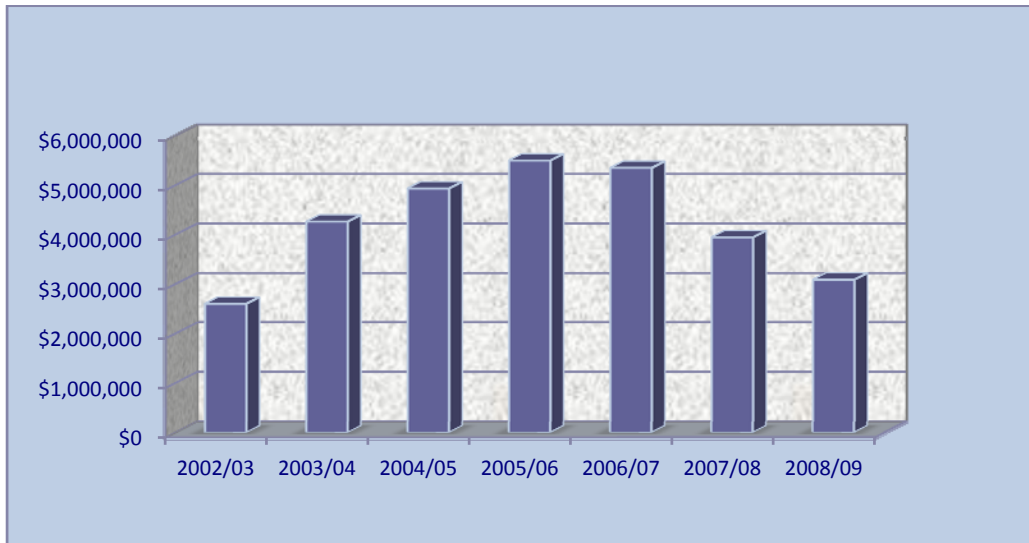
	Operating Results for the Year	
	Governmental	
	Activities	
	6-30-09	6-30-08
Program Revenues:		
Charges for Services	\$ 383,474.21	\$ 352,595.43
Operating Grants and Contributions	1,192,110.91	1,185,357.76
Capital Grants and Contributions	845,836.79	558,657.45
General Revenues:		
Property Taxes, Levied for Operational Purposes	2,159,268.83	1,959,548.34
Property Taxes, Levied for Capital Projects	524,374.79	708,860.42
Local Sales Taxes	102,834.71	
Grants and Contributions Not Restricted to Specific Programs	15,045,008.69	15,593,688.15
Unrestricted Investment Earnings	15,536.47	231,809.50
Miscellaneous	191,343.93	191,099.56
Extraordinary Item	2,035,000.00	
Total Revenues and Extraordinary Item	22,494,789.33	20,781,616.61
Functions/Program Expenses:		
Instruction	10,989,917.66	10,644,667.05
Pupil Personnel Services	778,334.37	718,358.39
Instructional Media Services	354,175.27	414,837.66
Instruction and Curriculum Development Services	754,524.71	863,923.31
Instructional Staff Training Services	195,958.43	238,384.15
Instruction Related Technology	385,640.83	393,563.38
Board of Education	261,392.72	277,936.37
General Administration	420,479.67	387,962.39
School Administration	1,159,661.12	1,094,449.24
Facilities Acquisition and Construction	143,156.56	296,742.04
Fiscal Services	423,622.21	407,057.84
Food Services	1,170,865.97	1,163,685.18
Pupil Transportation Services	1,050,622.74	1,050,846.66
Operation of Plant	1,294,684.43	1,204,561.34
Maintenance of Plant	291,685.20	349,006.25
Administrative Technology Services	19,076.16	23,115.80
Community Services	109,119.77	62,806.44
Unallocated Depreciation Expense	489,446.14	513,051.44
Loss on Disposal of Capital Assets	409,379.35	1,307.02
Total Functions/Program Expenses	20,701,743.31	20,106,261.95
Increase in Net Assets	\$ 1,793,046.02	\$ 675,354.66

The largest revenue source is the State of Florida (72 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District’s funding ability based on the local property tax base. Net assets increased primarily because of the receipt of \$2,035,000 from the Florida Department of Environmental Protection from a remediation assistance settlement at Altha School.

Instructional expenses represent 53 percent of total governmental expenses in the 2008-09 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Fund: After four years of steady increases, the total fund balance of the General Fund decreased for the past three years. This is due, in part, in the 2008-09 fiscal year, to the economic downturn, which has resulted in reduced local and State collections. The major contributor to the revenue reductions was a decrease in funding from FEEP of \$794,314 from the 2007-08 fiscal year. As a result, expenditures were reduced as well. The following graph shows the total General Fund fund balances from the 2002-03 to 2008-09 fiscal years.



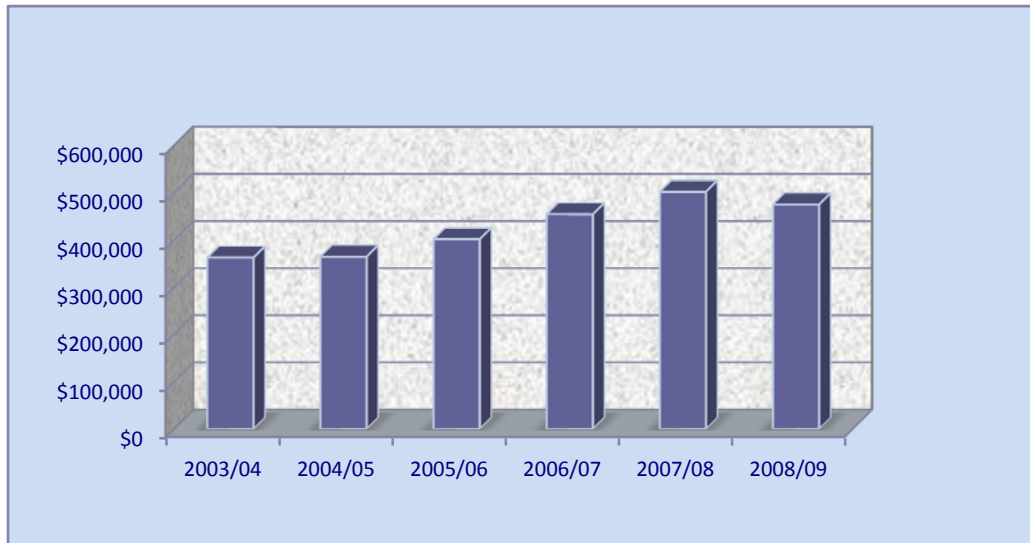
Special Revenue – Food Service Fund: This fund is used to account for the operations of the food service program. The Special Revenue – Food Service Fund had a total fund balance of \$25,455.08 at June 30, 2009. Fund balance declined by \$49,317.66, primarily because the District did not transfer resources from the General Fund to supplement food service operations, whereas the District transferred \$120,000 from the General Fund to the Food Service Fund in the 2007-08 fiscal year for this purpose. This is the third year that the program was managed by Chartwells, a food service management company.

Special Revenue – Other Fund: The Special Revenue – Other Fund had a zero fund balance at June 30, 2009. This fund is used to account for certain Federal program resources. Since Federal revenue is recognized to the extent that eligible expenditures have been incurred, this fund does not generally accumulate a fund balance.

Capital Projects – Other Fund: The Capital Projects – Other Fund had a total fund balance of \$2,534,275.38 at June 30, 2009, compared to \$133,612.99 in the previous year. The fund balance consisted of \$29,429.70 in the Classrooms First Fund, \$233,933.06 in the Classroom for Kids Fund, \$102,834.71 in the Sales Tax Fund, \$2,051,736.24 in the Department of Environmental Settlement Fund, and \$116,341.67 in miscellaneous local capital outlay funds. It should be noted that \$295,957.60 of this balance has been encumbered for specific construction projects in progress at fiscal year-end. Fund balance increased primarily because of the receipt of \$2,035,000 from the Florida Department of Environmental Protection from a remediation assistance settlement at Altha School.

Property/Casualty Insurance Premiums

The District had experienced a significant increase in property/casualty insurance premiums for the preceding three years; however, the District experienced a slight decrease in property/casualty premiums for the 2008-09 fiscal year. The following graph depicts historical insurance premiums for the District.



Proprietary Fund

In the current fiscal year, revenues exceed expenses, resulting in an increase in net assets of \$296,992.32, and a net assets balance of \$1,199,567.69, at June 30, 2009. This is primarily attributable to insurance claims expense being less than anticipated. This can be compared to the previous fiscal year in which revenues exceeded expenses by \$535,949.59.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District’s budgets are prepared and amendments made according to Florida law. The most significant budgeted fund is the General Fund.

During the course of the 2008-09 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total appropriations and other financing uses amounting to \$1,010,000, or 6 percent. This was due primarily to an increase in budgeted transfers out, which varied due to uncertainty of the amount of assistance from the General Fund related to the new Blountstown High School.

Actual expenditures and other financing uses were \$1,678,000.71 less than the final budgeted amounts. Positive budget variances occurred in all functions. The ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$1,598,169.94.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District’s investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$12,332,315.26 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Additional information on the District’s capital assets can be found in Notes 4 and 12 to the financial statements.

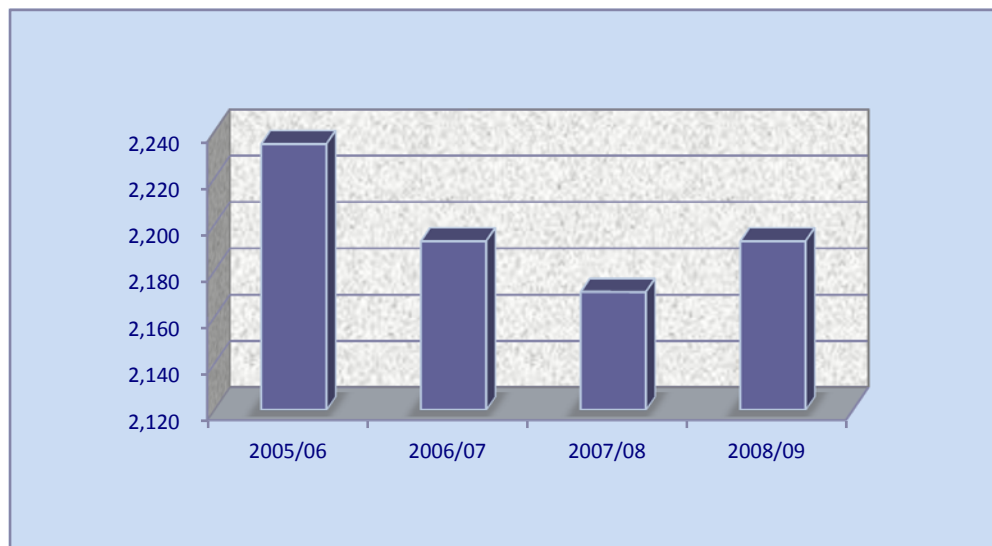
Long-Term Debt

The District has been debt-free for several years.

OTHER MATTERS OF SIGNIFICANCE

New Blountstown High School. On June 24, 2009, the Board approved an agreement with a construction manager for the new Blountstown High School. In July 2009, the District received an encumbrance authorization from the Public Education Capital Outlay Special Facilities Construction Account totaling \$12,274,731.

Student Enrollment and Funding. Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education 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. As shown in the following chart, after experiencing decreases in FTE from the 2005-06 to the 2007-08 fiscal years, the FTE increased during the 2008-09 fiscal year.



REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Calhoun County District School Board’s finances. Questions concerning information provided in this report or requests for additional financial information should be addressed to the Calhoun County District School Board, 20589 Central Avenue East, Room G-20, Blountstown, FL 32424.

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 10,989,917.66	\$ 1,911.00	\$	\$	\$ (10,988,006.66)
Pupil Personnel Services	778,334.37				(778,334.37)
Instructional Media Services	354,175.27				(354,175.27)
Instruction and Curriculum Development Services	754,524.71				(754,524.71)
Instructional Staff Training Services	195,958.43				(195,958.43)
Instruction Related Technology	385,640.83				(385,640.83)
Board of Education	261,392.72				(261,392.72)
General Administration	420,479.67				(420,479.67)
School Administration	1,159,661.12				(1,159,661.12)
Facilities Acquisition and Construction	143,156.56			845,836.79	702,680.23
Fiscal Services	423,622.21				(423,622.21)
Food Services	1,170,865.97	379,384.57	734,333.91		(57,147.49)
Pupil Transportation Services	1,050,622.74	2,178.64	457,777.00		(590,667.10)
Operation of Plant	1,294,684.43				(1,294,684.43)
Maintenance of Plant	291,685.20				(291,685.20)
Administrative Technology Services	19,076.16				(19,076.16)
Community Services	109,119.77				(109,119.77)
Unallocated Depreciation Expense	489,446.14				(489,446.14)
Loss on Disposal of Assets	409,379.35				(409,379.35)
Total Governmental Activities	\$ 20,701,743.31	\$ 383,474.21	\$ 1,192,110.91	\$ 845,836.79	(18,280,321.40)
General Revenues:					
Taxes:					
Property Taxes, Levied for Operational Purposes					2,159,268.83
Property Taxes, Levied for Capital Projects					524,374.79
Local Sales Taxes					102,834.71
Grants and Contributions Not Restricted to Specific Programs					15,045,008.69
Unrestricted Investment Earnings					15,536.47
Miscellaneous					191,343.93
Extraordinary Item:					
Remediation Assistance Settlement					2,035,000.00
Total General Revenues and Extraordinary Items					20,073,367.42
Change in Net Assets					1,793,046.02
Net Assets - Beginning					16,465,877.39
Net Assets - Ending					\$ 18,258,923.41

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

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**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009**

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 2,923,557.70	\$ 96,951.84	\$ 9,891.16
Investments	107,657.07		
Accounts Receivable	110.00		
Due from Other Funds	284,155.64		
Due from Other Agencies	3,928.93	2,635.64	234,156.99
Inventories		24,804.49	
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 3,319,409.34</u>	<u>\$ 124,391.97</u>	<u>\$ 244,048.15</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll Deductions and Withholdings	\$ 84,923.71	\$ 46,064.55	\$ 3,830.96
Accounts Payable	140,959.44	50,000.00	5,835.00
Due to Other Funds		2,872.34	234,156.64
Deposits Payable			226.55
Due to Other Agencies	360.00		
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>226,243.15</u>	<u>98,936.89</u>	<u>244,048.15</u>
 Fund Balances:			
Reserved for State Categorical Programs	13,576.56		
Reserved for Encumbrances	345,158.35		
Unreserved:			
Designated for Compensated Absences	1,109,896.52		
Undesignated, Reported in:			
General Fund	1,624,534.76		
Special Revenue Funds		25,455.08	
Capital Projects Funds			
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,093,166.19</u>	<u>25,455.08</u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,319,409.34</u>	<u>\$ 124,391.97</u>	<u>\$ 244,048.15</u>

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,532,822.25 1,453.13	\$ 439,269.33	\$ 6,002,492.28 109,110.20 110.00 284,155.64 240,721.56 24,804.49
<u>\$ 2,534,275.38</u>	<u>\$ 439,269.33</u>	<u>\$ 6,661,394.17</u>
\$	\$	\$ 88,754.67 192,858.99 284,155.64 2,872.34 586.55
		<u>569,228.19</u>
295,957.60	438,997.48	13,576.56 1,080,113.43 1,109,896.52 1,624,534.76 25,455.08 2,238,589.63
<u>2,238,317.78</u>	<u>271.85</u>	<u>2,238,589.63</u>
<u>2,534,275.38</u>	<u>439,269.33</u>	<u>6,092,165.98</u>
<u>\$ 2,534,275.38</u>	<u>\$ 439,269.33</u>	<u>\$ 6,661,394.17</u>

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total Fund Balances - Governmental Funds	\$	6,092,165.98
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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.		12,332,315.26
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Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		1,199,567.69
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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:

Postemployment Healthcare Benefits Payable	\$ 255,229.00	
Compensated Absences Payable	1,109,896.52	(1,365,125.52)

Total Net Assets - Governmental Activities	\$	18,258,923.41
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The accompanying notes to financial statements are an integral part of this statement.

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**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009**

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
Revenues			
Intergovernmental:			
Federal Through State and Local	\$ 74,534.21	\$ 716,236.91	\$ 1,637,225.51
State	13,790,810.97	18,312.00	
Local:			
Property Taxes	2,159,268.83		
Local Sales Taxes			
School Food Service Sales		379,384.57	
Miscellaneous	164,200.22	4,472.77	
Total Revenues	<u>16,188,814.23</u>	<u>1,118,406.25</u>	<u>1,637,225.51</u>
Expenditures			
Current - Education:			
Instruction	10,453,961.57		742,764.78
Pupil Personnel Services	527,197.53		241,485.70
Instructional Media Services	350,815.78		
Instruction and Curriculum Development Services	491,033.10		245,773.87
Instructional Staff Training Services	27,845.29		164,609.82
Instruction Related Technology	366,057.28		2,876.66
Board of Education	265,507.35		
General Administration	357,747.54		57,813.22
School Administration	1,116,563.63		
Facilities Acquisition and Construction	41,388.11		
Fiscal Services	406,123.29		
Food Services		1,167,723.91	
Pupil Transportation Services	816,328.21		89,197.29
Operation of Plant	1,280,312.03		
Maintenance of Plant	281,959.60		
Administrative Technology Services	19,076.16		
Community Services	35,369.92		73,749.85
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	24,857.40		18,954.32
Total Expenditures	<u>16,862,143.79</u>	<u>1,167,723.91</u>	<u>1,637,225.51</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(673,329.56)</u>	<u>(49,317.66)</u>	
Other Financing Sources (Uses)			
Transfers In	373,452.69		
Transfers Out	(557,093.50)		
Total Other Financing Sources (Uses)	<u>(183,640.81)</u>		
Extraordinary Item			
Remediation Assistance Settlement			
Net Change in Fund Balances	(856,970.37)	(49,317.66)	
Fund Balances, Beginning	3,950,136.56	74,772.74	
Fund Balances, Ending	<u>\$ 3,093,166.19</u>	<u>\$ 25,455.08</u>	<u>\$ 0.00</u>

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 490,544.00	\$ 355,292.79	\$ 2,427,996.63
102,834.71	524,374.79	14,654,959.76
32,504.45	9,792.60	2,683,643.62
625,883.16	889,460.18	102,834.71
		379,384.57
		210,970.04
		20,459,789.33
		11,196,726.35
		768,683.23
		350,815.78
		736,806.97
		192,455.11
		368,933.94
		265,507.35
		415,560.76
		1,116,563.63
29,799.52	71,006.17	142,193.80
		406,123.29
		1,167,723.91
		905,525.50
		1,280,312.03
		281,959.60
		19,076.16
		109,119.77
787,514.75	782,527.14	1,570,041.89
817,314.27	853,533.31	43,811.72
(191,431.11)	35,926.87	21,337,940.79
557,093.50	(373,452.69)	(878,151.46)
557,093.50	(373,452.69)	930,546.19
557,093.50	(373,452.69)	(930,546.19)
2,035,000.00		2,035,000.00
2,400,662.39	(337,525.82)	1,156,848.54
133,612.99	776,795.15	4,935,317.44
\$ 2,534,275.38	\$ 439,269.33	\$ 6,092,165.98

**CALHOUN 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, 2009**

Net Change in Fund Balances - Governmental Funds \$ 1,156,848.54

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. 987,276.52

The undepreciated cost of capital assets disposed of during the current period is reported in the statement of activities. The cost of these assets was recognized as an expenditure in the governmental funds in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (409,379.35)

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 paid in excess of the amount earned in the current period. 16,536.99

Postemployment healthcare benefits cost are recorded in the statement of activities under the full accrual method, but in the governmental funds when due. This is the net increase in the postemployment healthcare benefits liability for the current fiscal year. (255,229.00)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities. 296,992.32

Change in Net Assets - Governmental Activities \$ 1,793,046.02

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2009**

		Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Premiums from Board Funds and Participants	\$	2,053,741.17
OPERATING EXPENSES		
Insurance Claims		1,274,561.69
Insurance Premiums		288,745.75
Service Agent Fees		162,714.34
Purchased Services		27,243.00
Total Operating Expenses		1,753,264.78
Operating Income		300,476.39
NONOPERATING REVENUES		
Interest		(3,484.07)
Change in Net Assets		296,992.32
Total Net Assets - Beginning		902,575.37
Total Net Assets - Ending	\$	1,199,567.69

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2009**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Board Funds and Participants	\$ 2,053,741.17
Cash Payments to Vendors for Goods and Services	(546,160.46)
Cash Payments for Insurance Claims	(1,279,624.69)
Other Operating Expenses	(224,471.95)
	3,484.07
Net Cash Provided by Operating Activities	3,484.07
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	(3,484.07)
	(3,484.07)
Net Increase in Cash and Cash Equivalents	
Cash and Cash Equivalents, Beginning	
Cash and Cash Equivalents, Ending	\$ 0.00

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

Operating Income	\$ 300,476.39
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	
Changes in Assets and Liabilities:	
Increase in Due from Fiscal Agent	(293,765.21)
Decrease in Due from Excess Insurer	69,293.26
Decrease in Accounts Payable	(67,457.37)
Decrease in Estimated Insurance Claims Payable	(5,063.00)
	(296,992.32)
Total Adjustments	(296,992.32)
Net Cash Provided by Operating Activities	\$ 3,484.07

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2009**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 245,222.00
LIABILITIES	
Internal Accounts Payable	\$ 245,222.00

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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 Calhoun County School District is considered part of the Florida system of public education. The governing body of the school district is the Calhoun 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 Calhoun 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 these criteria, no component units are included within the reporting entity of the District.

➤ **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.

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. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the pupil transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

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 is self-financing or draws from the general revenues of the District.

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

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.

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Food Service Fund – to account for the District’s Food Service Program.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Other Fund – to account for financial resources set aside by the Board, sales tax revenues, Florida Department of Environmental Protection remediation assistance settlement, Class Size Reduction Construction, and Classrooms First allocations to be used for educational capital outlay needs, including renovation and remodeling projects and class size reduction.

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

- Internal Service Fund – to account for the District’s Employee Health Self-Insurance Program.
- Agency Funds – to account for resources of the school internal funds which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.
- **Basis of Accounting**

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

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, postemployment healthcare benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Proprietary Funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds’

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

principal ongoing operations. The principal operating revenues of the District's internal service fund are charges for employee health insurance premiums. Operating expenses include insurance claims and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

➤ **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which, effective July 1, 2009, is known as Florida PRIME.

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

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

The District's investments in LGIP, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.51370946 at June 30, 2009. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within LGIP.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the last invoice, which approximates 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 inventories are recorded as expenditures when used rather than purchased.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. 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.

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	8 - 40 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	3 - 5 years

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

➤ **Long-Term Liabilities**

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

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

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

In the government-wide financial statements, costs and obligations related to postemployment healthcare and other nonpension benefits, collectively referred to as other postemployment benefits (OPEB) are accrued in essentially the same manner as pensions.

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 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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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 allocations from the Classrooms for Kids and Classrooms First Programs. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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

➤ **District Property Taxes**

The 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 Calhoun County Property Appraiser, and property taxes are collected by the Calhoun County Tax Collector.

The School Board adopted the 2008 tax levy on September 9, 2008. 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 Calhoun 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.

➤ **Capital Outlay Surtax**

In January 2008, the voters of Calhoun County approved a one-half cent school capital outlay surtax on sales in the County for 10 years, effective January 1, 2009, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

➤ **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.

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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 (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP), 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, reported as cash equivalents, with a fair value of \$4,174,681.43 at June 30, 2009, are in SBA LGIP with a weighted average days to maturity (WAM) of 46 days. A portfolio's WAM reflects the average maturity 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 LGIP is rated AAAM by Standard & Poor's.

Investments with a fair value of \$109,110.20 at June 30, 2009, are in the SBA Fund B Surplus Funds Trust Fund (Fund B) with a weighted average life (WAL) of 6.87 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2009. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. The District's investment in Fund B is unrated.

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

4. CHANGE IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 656,691.49	\$ 541,743.50	\$	\$ 1,198,434.99
Construction in Progress	996,000.00	602,235.00		1,598,235.00
Total Capital Assets Not Being Depreciated	1,652,691.49	1,143,978.50		2,796,669.99
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	958,358.29	14,409.25		972,767.54
Buildings and Fixed Equipment	13,817,408.46	331,516.62	772,734.83	13,376,190.25
Furniture, Fixtures, and Equipment	2,097,172.74	123,949.24	171,029.78	2,050,092.20
Motor Vehicles	1,983,890.00			1,983,890.00
Audio Visual Materials and Computer Software	836,736.73			836,736.73
Total Capital Assets Being Depreciated	19,693,566.22	469,875.11	943,764.61	19,219,676.72
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	255,536.94	38,632.39		294,169.33
Buildings and Fixed Equipment	5,852,328.62	261,966.51	364,243.62	5,750,051.51
Furniture, Fixtures, and Equipment	1,582,869.44	117,149.75	170,141.64	1,529,877.55
Motor Vehicles	1,239,363.88	137,130.95		1,376,494.83
Audio Visual Materials and Computer Software	661,740.74	71,697.49		733,438.23
Total Accumulated Depreciation	9,591,839.62	626,577.09	534,385.26	9,684,031.45
Total Capital Assets Being Depreciated, Net	10,101,726.60	(156,701.98)	409,379.35	9,535,645.27
Governmental Activities Capital Assets, Net	\$ 11,754,418.09	\$ 987,276.52	\$ 409,379.35	\$ 12,332,315.26

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 137,130.95
Unallocated	489,446.14
Total Depreciation Expense - Governmental Activities	\$ 626,577.09

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

5. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
GOVERNMENTAL ACTIVITIES					
Compensated Absences Payable	\$ 1,126,433.51	\$ 97,283.92	\$ 113,820.91	\$ 1,109,896.52	\$ 64,983.93
Postemployment Healthcare Benefits Payable		548,813.00	293,584.00	255,229.00	
Total Governmental Activities	<u>\$ 1,126,433.51</u>	<u>\$ 646,096.92</u>	<u>\$ 407,404.91</u>	<u>\$ 1,365,125.52</u>	<u>\$ 64,983.93</u>

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

6. 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	\$ 284,155.64	\$
Special Revenue:		
Food Service		50,000.00
Other		234,155.64
Total	<u>\$ 284,155.64</u>	<u>\$ 284,155.64</u>

Interfund receivables and payables are primarily to reimburse the General Fund for temporary advances made to the Special Revenue – Food Service Fund and Special Revenue – Other Fund. These amounts are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 373,452.69	\$ 557,093.50
Capital Projects:		
Other	557,093.50	
Nonmajor Governmental		373,452.69
Total	<u>\$ 930,546.19</u>	<u>\$ 930,546.19</u>

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

The above interfund transfers are to reimburse the General Fund for maintenance and insurance expenditures, and to supplement the Capital Projects – Other Fund projects for certain acquisition costs related to a new school.

7. 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 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

Because revenues of grants accounted for in the Special Revenue – Other Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$21,476.94 at June 30, 2009.

8. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue for the 2008-09 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 10,096,252.00
Categorical Educational Programs:	
Class Size Reduction	2,128,203.00
Transportation	457,777.00
Instructional Materials	196,289.00
Other	439,831.12
Gross Receipts Tax (Public Education Capital Outlay)	274,038.00
Classrooms for Kids Program	245,901.00
Workforce Development Program	175,163.00
Class Size Reduction Construction	173,190.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	80,393.25
Classrooms First Program	71,453.00
Discretionary Lottery Funds	50,302.00
Mobile Home License Tax	5,318.50
Miscellaneous	260,848.89
	<hr/>
Total	<u><u>\$ 14,654,959.76</u></u>

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

9. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2008 tax roll for the 2008-09 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.079	\$ 1,944,207.48
Basic Discretionary Local Effort	0.498	190,631.09
Supplemental Discretionary Local Effort	0.250	95,698.34
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.410</u>	<u>539,738.64</u>
Total	<u><u>7.237</u></u>	<u><u>\$ 2,770,275.55</u></u>

10. 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 Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 12 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$32,438.14.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2008-09 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
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of PEORP.
(B) Contribution rates are dependent upon retirement class in which reemployed.

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions, including employee contributions, for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$1,150,105.91, \$1,169,489.19, and \$1,167,056.17, 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.

11. POSTEMPLOYMENT HEALTHCARE BENEFITS

Effective for the 2008-09 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided by the District. The requirements of this statement

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

are being implemented prospectively, with the actuarially determined liability of \$8,615,828 at the July 1, 2008, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment healthcare benefits liability at the date of transition.

Plan Description. The Postemployment Healthcare Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's self-insured health and hospitalization plan for medical and prescription drug coverages. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The District currently provides a lifetime subsidy of \$50 per month for certain retired former employees who participated in the insurance program to help pay the stated premium for single health coverage. Retirees are required to pay the full stated premium for dependent coverage. All of the District's employees may become eligible for those benefits if they reach normal retirement age and have their last ten years of service with the District. At June 30, 2009, benefits are being provided to 62 retired former employees. The cost of the benefits provided is recognized as an expense each month as premiums are paid. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Postemployment Healthcare Benefits Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. For the Postemployment Healthcare Benefits Plan, contribution requirements of the District and plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 62 retirees received postemployment healthcare benefits. The District provided required contributions of \$293,584 toward the annual OPEB cost, comprised of payments made on behalf of retirees net of retiree contributions totaling \$342,093, which represents 4.69 percent of covered payroll.

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Description	Amount
Normal Cost (service cost for one year)	\$ 260,395
Amortization of Unfunded Actuarial Accrued Liability	274,245
Interest on Normal Cost and Amortization	14,173
Annual Required Contribution	548,813
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	548,813
Annual OPEB Cost (Expense)	548,813
Contribution Toward the OPEB Cost	(293,584)
Increase in Net OPEB Obligation	255,229
Net OPEB Obligation, Beginning of Year	255,229
Net OPEB Obligation, End of Year	\$ 255,229

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 (year of implementation), was as follows:

Year	OPEB Cost	Annual OPEB Cost Contributed	Obligation
Beginning Balance, 7/1/08	\$ 0	0.00%	\$ 0
2008-09	548,813	53.49%	255,229

Funded Status and Funding Progress. As of October 1, 2007, the most recent valuation date, the actuarial accrued liability for benefits was \$8,615,828, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$8,615,828 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$7,297,281 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 118.07 percent.

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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

The District’s initial OPEB actuarial valuation as of October 1, 2007, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and to estimate the District’s 2008-09 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.55 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 9 percent initially for the 2008-09 fiscal year, reduced to an ultimate rate of 5 percent after 9 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 29 years.

12. 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 Blountstown High School:			
Architect	\$ 1,927,865.00	\$ 1,598,235.00	\$ 329,630.00
Blountstown High School - ESE Building			
Architect	11,609.50		11,609.50
Contractor	149,800.00		149,800.00
Blountstown Elementary School - Reroofing:			
Architect	12,934.75		12,934.75
Contractor	166,900.00		166,900.00
Blountstown Elementary School - Covered Walkways:			
Architect	4,378.75		4,378.75
Contractor	56,500.00		56,500.00
Carr School - Covered Walkways:			
Architect	4,124.55		4,124.55
Contractor	53,220.00		53,220.00
Altha School - Covered Walkways:			
Architect	6,325.55		6,325.55
Total	\$ 2,393,658.10	\$ 1,598,235.00	\$ 795,423.10

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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

The District also participates in an employee group health insurance program administered through the Consortium. Premiums charged to the districts are based on each individual district's claims experience, and the program operates as an individually-funded plan by each participating district with shared administrative costs and a pooling of plan assets for working capital.

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

A liability in the amount of \$86,626 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2009, and is net of excess insurance recoverable on unpaid claims.

The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insurance program:

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2007-08	\$ 105,119.00	\$ 1,108,502.61	\$ (1,121,932.61)	\$ 91,689.00
2008-09	91,689.00	1,274,561.69	(1,279,624.69)	86,626.00

14. EXTRAORDINARY ITEM

The District received \$2,035,000 from the Florida Department of Environmental Protection (DEP) as part of a remediation assistance settlement. As a result of soil remediation action conducted by DEP, two buildings at Altha School were demolished. The District plans on using the funds for the replacement of the classrooms.

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

15. SUBSEQUENT EVENTS

On June 24, 2009, the Board approved an agreement with a construction manager for Blountstown High School, and on October 1, 2009, the Board approved the guaranteed maximum price of \$21,748,098. The project is anticipated to be funded primarily by a Legislative appropriation from the Public Education Capital Outlay Special Education Facilities Construction Account. In July 2009, the District received an encumbrance authorization for \$12,274,731.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2009**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Through State and Local State	\$ 85,000.00	\$ 85,000.00	\$ 74,534.21	\$ (10,465.79)
Local:	14,044,938.00	14,044,938.00	13,790,810.97	(254,127.03)
Property Taxes	2,116,924.00	2,116,924.00	2,159,268.83	42,344.83
School Food Service Sales				
Miscellaneous			164,200.22	164,200.22
Total Revenues	16,246,862.00	16,246,862.00	16,188,814.23	(58,047.77)
Expenditures				
Current - Education:				
Instruction	10,805,095.00	10,585,193.50	10,453,961.57	131,231.93
Pupil Personnel Services	552,000.00	555,080.00	527,197.53	27,882.47
Instructional Media Services	466,000.00	500,800.00	350,815.78	149,984.22
Instruction and Curriculum Development Services	656,890.00	557,140.00	491,033.10	66,106.90
Instructional Staff Training Services	48,000.00	46,000.00	27,845.29	18,154.71
Instruction Related Technology	380,000.00	379,650.00	366,057.28	13,592.72
Board of Education	299,000.00	274,100.00	265,507.35	8,592.65
General Administration	362,000.00	376,310.00	357,747.54	18,562.46
School Administration	1,075,050.00	1,140,410.00	1,116,563.63	23,846.37
Facilities Acquisition and Construction	69,000.00	52,200.00	41,388.11	10,811.89
Fiscal Services	422,000.00	416,010.00	406,123.29	9,886.71
Food Services				
Pupil Transportation Services	862,200.00	855,760.00	816,328.21	39,431.79
Operation of Plant	1,286,500.00	1,306,838.00	1,280,312.03	26,525.97
Maintenance of Plant	388,600.00	314,850.00	281,959.60	32,890.40
Administrative Technology Services	26,000.00	22,000.00	19,076.16	2,923.84
Community Services	45,000.00	41,540.00	35,369.92	6,170.08
Fixed Capital Outlay:				
Other Capital Outlay	193,903.00	38,653.00	24,857.40	13,795.60
Total Expenditures	17,937,238.00	17,462,534.50	16,862,143.79	600,390.71
Deficiency of Revenues Over Expenditures	(1,690,376.00)	(1,215,672.50)	(673,329.56)	542,342.94
Other Financing Sources (Uses)				
Transfers In	395,235.69	395,235.69	373,452.69	(21,783.00)
Transfers Out	(150,000.00)	(1,634,703.50)	(557,093.50)	1,077,610.00
Total Other Financing Sources (Uses)	245,235.69	(1,239,467.81)	(183,640.81)	1,055,827.00
Net Change in Fund Balances	(1,445,140.31)	(2,455,140.31)	(856,970.37)	1,598,169.94
Fund Balances, Beginning	3,950,136.56	3,950,136.56	3,950,136.56	
Fund Balances, Ending	\$ 2,504,996.25	\$ 1,494,996.25	\$ 3,093,166.19	\$ 1,598,169.94

Special Revenue - Food Service Fund				Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 615,585.00	\$ 615,585.00	\$ 716,236.91	\$ 100,651.91	\$ 213,857.35	\$ 1,786,887.91	\$ 1,637,225.51	\$ (149,662.40)
17,352.00	17,352.00	18,312.00	960.00				
425,032.00	425,032.00	379,384.57	(45,647.43)				
		4,472.77	4,472.77				
1,057,969.00	1,057,969.00	1,118,406.25	60,437.25	213,857.35	1,786,887.91	1,637,225.51	(149,662.40)
				117,002.94	800,226.90	742,764.78	57,462.12
				12,327.92	246,509.57	241,485.70	5,023.87
				12.74			
				27,369.49	267,749.25	245,773.87	21,975.38
				36,371.17	185,871.18	164,609.82	21,261.36
					2,876.66	2,876.66	
				4,100.79	59,580.00	57,813.22	1,766.78
				1,000.00	1,000.00		1,000.00
1,219,833.00	1,223,133.00	1,167,723.91	55,409.09	4,331.24	95,464.85	89,197.29	6,267.56
					78,749.85	73,749.85	5,000.00
5,200.00	1,900.00		1,900.00	11,341.06	48,859.65	18,954.32	29,905.33
1,225,033.00	1,225,033.00	1,167,723.91	57,309.09	213,857.35	1,786,887.91	1,637,225.51	149,662.40
(167,064.00)	(167,064.00)	(49,317.66)	117,746.34				
150,000.00	150,000.00		(150,000.00)				
150,000.00	150,000.00		(150,000.00)				
(17,064.00)	(17,064.00)	(49,317.66)	(32,253.66)				
74,772.74	74,772.74	74,772.74					
\$ 57,708.74	\$ 57,708.74	\$ 25,455.08	\$ (32,253.66)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -
POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN
For the Fiscal Year Ended June 30, 2009**

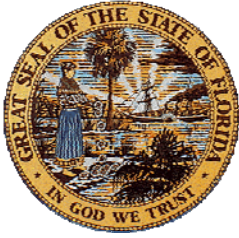
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
October 1, 2007	\$ 0	\$ 8,615,828	\$ 8,615,828	0.0%	\$ 7,297,281	118.07%

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 180,039.24
National School Lunch Program	10.555	300, 350	477,313.47
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	58,884.20
Total United States Department of Agriculture			716,236.91
United States Department of Education:			
Indirect:			
Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	263	514,711.46
Special Education - Preschool Grants	84.173	267	32,602.88
Total Special Education Cluster			547,314.34
Adult Education - Basic Grants to States	84.002	191	42,375.74
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	757,395.44
Career and Technical Education - Basic Grants to States	84.048	151, 161	66,062.00
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	9,192.73
Education Technology State Grants	84.318	121	4,737.98
Rural Education	84.358	110	54,425.16
Improving Teacher Quality State Grants	84.367	224	155,722.12
Total United States Department of Education			1,637,225.51
United States Department of Homeland Security:			
Indirect:			
Florida Department of Education:			
Homeland Security Grant Program	97.067	532	16,053.88
Total Expenditures of Federal Awards			\$ 2,369,516.30

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
Tallahassee, Florida 32399-1450



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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, each major fund, and the aggregate remaining fund information of the Calhoun County District School Board as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds, as described in our report on the Calhoun County District School Board's financial statements. 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 A. We did not audit management's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA

November 30, 2009



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the
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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 Calhoun 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 each of its major Federal programs for the fiscal year ended June 30, 2009. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 each of its major Federal programs for the year ended June 30, 2009. 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.

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.

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.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

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

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

Respectfully submitted,



David W. Martin, CPA
November 30, 2009

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs.
Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB <i>Circular A-133</i> ?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555) and 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?	No

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

ADDITIONAL MATTERS

Finding No. 1: Journal Entry Approval

Controls over journal entries could be enhanced. Fiscal assistants in the finance office typically prepared journal entries to adjust the accounting records, and documented support for these entries in several ways, using corrections sheets, manual ledgers, and other records. The Director of Finance (Director) generally evidenced her approval of these entries by initialing the documents; however, our review of District records supporting 25 transactions disclosed no supervisory approval for 13 of the transactions, including entries to record transfers between bank accounts, State revenue receipts, and other transactions. Discussions with the Director disclosed that, while the Director did not always evidence approval of journal entries, she verbally authorized transactions during the journal entry process. The Director also indicated that she further determined whether transactions were accurate and proper by periodically reviewing the general ledger and approving bank reconciliations. Further, pursuant to the District's bank agreement, money transfers can only be made to other Board accounts. Although these controls mitigate the lack of documented supervisor-approved journal entries, and our tests disclosed that entries were appropriate, the risk increases for errors or misappropriations to occur when there is no evidence of supervisory approval of journal entries.

Recommendation: The District should enhance control procedures over the transaction process to document supervisory approval of journal entries.

Finding No. 2: Design Professionals – Insurance

Contrary to Section 4.1(1)(f) of the Florida Department of Education's publication, *Guidelines for State Requirements for Educational Facilities – 2007*, the Board had not developed a policy providing for the type and amount of professional liability insurance for design professionals, nor did the District require design professionals to carry such insurance. The District contracted with an architect for the new high school with estimated construction costs of \$21,748,098, and another architect for several smaller projects with estimated construction costs totaling \$426,000. The District initially obtained certificates of insurance from both architectural firms for the 2008-09 fiscal year; however, the certificates were only for proposal purposes and did not list the District as insured.

In response to our inquiry in October 2009, the District obtained certificates of professional liability insurance from the architect of the new high school, insuring the District for the 2008-09 and 2009-2010 fiscal years; however, the policy coverages were only single-year policies written on a claims-made basis. A claims-made policy provides coverage only during the period in which a claim is made, rather than the period in which the event occurs that gives rise to the claim. Claims-made liability policies may not provide the District with sufficient protection if, for example, a design or construction flaw was discovered subsequent to the construction period and the responsible architect no longer carried such insurance, carried an insufficient amount of insurance, or was no longer in business.

When developing policies on professional liability insurance, the District should consider the design risks involved in construction projects and the approaches management should take to mitigate those risks. Since other professional liability insurance options such as project riders, occurrence-based liability insurance, and project liability insurance that offer better coverage may be more costly, the policies should consider the extent of risk that the Board is willing to take when deciding on the type and amount of required professional liability insurance. Consequently, the level of acceptable risk may differ by type of project.

Recommendation: Pursuant to guidance from the Florida Department of Education, the District should either develop policies to provide adequate professional liability insurance for design professionals or require that design professionals carry such insurance.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Education and United States Department of Agriculture
Pass-Through Entity: Florida Department of Education
Programs: ARRA: Child Nutrition Discretionary Grants Limited Availability (CFDA No. 10.579); Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389); Special Education Grants to States, Recovery Act (CFDA No. 84.391); Special Education - Preschool Grants, Recovery Act (CFDA No. 84.392); State Fiscal Stabilization Fund - Education State Grants, Recovery Act (CFDA 84.394); and State Fiscal Stabilization Fund - Government Services, Recovery Act (CFDA 84.397)
Finding Type: Noncompliance
Questioned Costs: Not applicable

Reporting and Special Tests and Provisions. The American Recovery and Reinvestment Act (ARRA) provides funding, in part, to school districts, with the overall goals of improving schools and achievement and producing better results for students. To support the most effective use of the funds, and measure results, recipients are required to report certain information tied to the assurance, principles, and strategies associated with ARRA Federal programs. The United States Federal Government maintains a database, known as the Central Contractor Registration (CCR), to collect, validate, store, and disseminate information relating to Federal awards, including ARRA Federal programs. Both current and potential Federal recipients are required to register in CCR in order to receive Federal grant awards. Recipients are required to initially register in CCR to provide basic information relevant to procurement and financial transactions, and must update or renew their registration at least once per year to maintain an active status.

The Florida Department of Education approved ARRA Federal funding for the District to administer, as shown in the table below:

Grant (CFDA Number)	Award Amount
ARRA – Child Nutrition Discretionary (10.579)	\$ 37,225
ARRA – Title I (84.389)	253,772
ARRA – Special Education (84.391)	494,003
ARRA – Special Education Preschool (84.392)	15,555
ARRA – State Fiscal Stabilization – Education (84.394)	660,824
ARRA – State Fiscal Stabilization – Government (84.397)	35,907

District records indicated that the award periods were from April 22, 2009, to September 30, 2011. Our review of District records and inquiry with District personnel disclosed that while the District had previously registered in CCR, this registration expired in April 2007, and the District’s registration had not been updated or renewed. Subsequent to our inquiries, in October 2009, the Director of Finance (Director) renewed the District’s registration with CCR, and the District indicated that the Director would be responsible for future renewals with CCR. Without timely renewal in the CCR system, the District may be limited in its eligibility to receive ARRA Federal Funds.

Recommendation: The District should establish procedures to ensure timely renewal at the Central Contractor Registration web site on an annual basis as required.

District Contact Person: Suzanne Mason, Director of Finance

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2009-044.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*CALHOUN COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009*

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
2008-066 (2) and 2009-044 (1)	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555) - Procurement	Improvements could be made to the District's procedures to monitor its contract with a food service management company.	Corrected.	The pass-through grantor did not require the District to restore questioned costs.

**EXHIBIT A
MANAGEMENT'S RESPONSE**

BOARD MEETS SECOND TUESDAY
OF EACH MONTH
PHONE (850) 674-5927
FAX (850) 674-5814

CALHOUN COUNTY SCHOOL BOARD

WILSON T. McCLELLAN, Superintendent
20859 CENTRAL AVE E, RM G-20
Blountstown, FL 32424

November 20, 2009

Mr. David W. Martin, CPA
Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Pursuant to the provisions of Section 11.45(4)(d), Florida Statutes, I am responding to the findings cited in the audit of Calhoun County School Board for the fiscal year ending June 30, 2009.

I would like to thank the members of your staff who conducted the audit for the efficient and courteous manner in which they did their job.

Our responses are as follows:

Finding No. 1: Journal Entry Approval

The District will continue to enhance the approval of journal entries by the Finance Officer documenting approval of all journal entries.

Finding No. 2: Design Professionals-Insurance

The District will develop a policy providing for the type and amount of professional liability insurance required for design professionals that contract with the District for various projects.

"An Equal Opportunity Employer"

Federal Award Finding 1: ARRA-Child Nutrition Discretionary Grants Limited Availability (CFDA No. 10.579); ARRA-Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389); ARRA-Special Education Grants to States, Recovery Act (CFDA No. 84.391); ARRA-Special Education-Preschool Grants, Recovery Action (CFDA No. 84.392); ARRA-State Fiscal Stabilization Fund-Education State Grants, Recovery Act (CFDA No. 84.394) and State Fiscal Stabilization Fund-Government Services, Recovery Act (CFDA No. 84.397)

The District's registration with the Central Contractor Registration (CCR) has been updated from inactive to active status as stated in the report. The Finance Officer will update the registration at least once a year to keep the status active.

Again, we wish to express our appreciation to your audit staff for the professional manner in which the audit was conducted. We appreciate your recommendations and have taken action to implement them. Calhoun County has been diligent in the past in attempting to conduct their affairs in a correct and efficient manner, and we plan to continue in the same manner in the future. If you need additional information, please let me know.

Sincerely,



Wilson T. McClellan, Superintendent
Calhoun County School District