

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2010



BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Daniel E. Ryals, III	1
Kelly E. King, Chair	2
Timothy G. Smith, Vice Chair	3
Kenneth F. Speights	4
Danny M. Hassig	5

Wilson T. McClellan, Superintendent

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

The audit team leader was Heather Donovan, 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: District performance assessment procedures for instructional personnel were not primarily based on student performance, contrary to Section 1012.34(3), Florida Statutes.

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

Finding No. 3: Controls could be enhanced to ensure compliance with Section 119.071(5)(a), Florida Statutes, regarding notifying individuals of the need for and use of social security numbers.

Summary of Report on Federal Awards

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

Audit Objectives and Scope

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

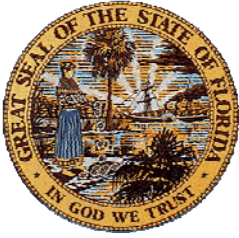
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a 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. 2010-068.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2010. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and

substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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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 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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 10 percent of the assets and 30 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon 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. 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the 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.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 10) and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 42 through 45) be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** and **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS** are 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 are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
December 3, 2010

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

- The District's total net assets increased by \$10,523,799.56 or 57.6 percent, due primarily to the construction of the New Blountstown High School.
- General revenues total \$19,286,998.44, or 62.5 percent of all revenues in the 2009-10 fiscal year, compared to \$18,038,367.42, or 88.2 percent in the prior year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled \$11,551,581.97, or 37.5 percent, compared to \$2,421,421.91, or 11.8 percent in the prior year.
- During the current year, General Fund revenues exceeded expenditures by \$52,143.69. This may be compared to last year's results in which General Fund expenditures exceeded revenues by \$673,329.56.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$4,737,067.99 at June 30, 2010, or 30.1 percent of General Fund expenditures, compared to \$2,734,431.28 or 16.2 percent at June 30, 2009. The General Fund previously incurred expenditures for the New Blountstown High School, and was reimbursed for these expenditures during the 2009-10 fiscal year from Special Facilities funding, resulting in the increased unreserved fund balance.
- Funding from the Florida Education Finance Program (FEFP) and categorical educational programs decreased \$1,121,082.12 from the 2008-09 fiscal year.
- The District received a Special Facilities allocation of \$12,274,731 in the 2009-10 fiscal year for specific construction needs through the Public Education Capital Outlay and Debt Service Trust – Special Facilities Construction Account.
- The District's student enrollment decreased by 10 students or less than 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; and
- 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, the schedule of funding progress for other postemployment benefits, and notes to required supplementary information.

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 District'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 the broad categories discussed below.

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

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

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

Capital Outlay 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. The internal service fund is 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, 2010, compared to net assets as of June 30, 2009:

	Net Assets, End of Year	
	Governmental	
	Activities	
	6-30-10	6-30-09
Current Assets	\$ 11,209,814.39	\$ 7,823,272.19
Capital Assets	22,532,634.44	12,332,315.26
Total Assets	33,742,448.83	20,155,587.45
Long-Term Liabilities	3,063,894.76	1,365,125.52
Other Liabilities	1,895,831.10	531,538.52
Total Liabilities	4,959,725.86	1,896,664.04
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	22,217,415.85	12,332,315.26
Restricted	1,701,151.69	2,871,404.60
Unrestricted	4,864,155.43	3,055,203.55
Total Net Assets	\$ 28,782,722.97	\$ 18,258,923.41

The largest portion of the District’s net assets (77.2 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, 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 (5.9 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (16.9 percent) may be used to meet the government’s ongoing obligations to students, employees, and creditors.

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

	Operating Results for the Year	
	Governmental Activities	
	6-30-10	6-30-09
Program Revenues:		
Charges for Services	\$ 333,366.80	\$ 383,474.21
Operating Grants and Contributions	816,771.42	1,192,110.91
Capital Grants and Contributions	10,401,443.75	845,836.79
General Revenues:		
Property Taxes, Levied for Operational Purposes	2,319,623.47	2,159,268.83
Property Taxes, Levied for Capital Projects	395,796.46	524,374.79
Local Sales Taxes	371,498.41	102,834.71
Grants and Contributions Not Restricted to Specific Programs	15,759,122.78	15,045,008.69
Unrestricted Investment Earnings	114,778.00	15,536.47
Miscellaneous	326,179.32	191,343.93
Extraordinary Item		2,035,000.00
Total Revenues	30,838,580.41	22,494,789.33
Functions/Program Expenses:		
Instruction	10,880,999.34	10,989,917.66
Pupil Personnel Services	691,226.04	778,334.37
Instructional Media Services	331,262.81	354,175.27
Instruction and Curriculum Development Services	714,198.80	754,524.71
Instructional Staff Training Services	329,840.69	195,958.43
Instruction Related Technology	411,793.63	385,640.83
School Board	299,977.59	261,392.72
General Administration	361,332.18	420,479.67
School Administration	1,096,883.27	1,159,661.12
Facilities Acquisition and Construction	425,333.07	143,156.56
Fiscal Services	396,222.08	423,622.21
Food Services	1,129,435.81	1,170,865.97
Central Services	1,049.44	
Pupil Transportation Services	1,025,766.77	1,050,622.74
Operation of Plant	1,293,405.23	1,294,684.43
Maintenance of Plant	308,311.24	291,685.20
Administrative Technology Services	16,356.54	19,076.16
Community Services	100,409.70	109,119.77
Unallocated Depreciation Expense	495,581.55	489,446.14
Loss on Disposal of Capital Assets	5,395.07	409,379.35
Total Functions/Program Expenses	20,314,780.85	20,701,743.31
Increase in Net Assets	\$ 10,523,799.56	\$ 1,793,046.02

The largest revenue source is the State of Florida (75.6 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.

Capital grants and contributions increased by \$9,555,606.96, or 1129.7 percent. This is primarily due to the receipt of a Special Facilities allocation for the New Blountstown High School.

Grants and contributions not restricted to specific programs increased by \$714,114.09, or 4.7 percent. This is primarily due to receipt of American Recovery and Reinvestment Act (ARRA) Federal funds of \$1,238,401.80, which

were partially offset by a decrease in State and Federal through State and local funding of approximately \$390,477 and \$133,281, respectively.

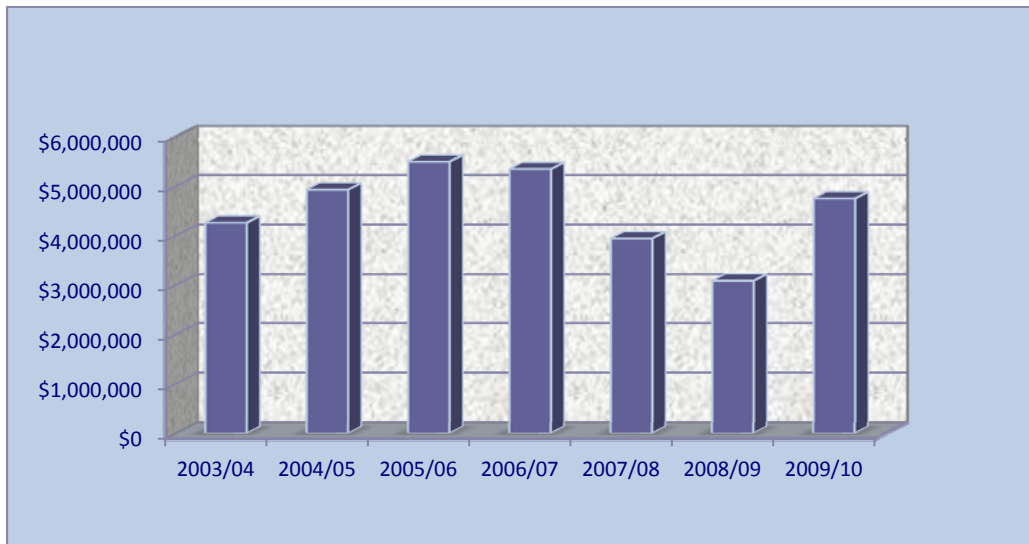
In the prior fiscal year the District recorded an extraordinary item for the receipt of \$2,035,000 from the Florida Department of Environmental Protection for a remediation assistance settlement at Altha School. No extraordinary items occurred in the current fiscal year.

Instructional expenses represent 53.6 percent of total governmental expenses in the 2009-10 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Major Governmental Funds

General Fund: After three years of steady decreases, the fund balance of the General Fund increased this year. The increase happened mainly because the General Fund received reimbursement from Special Facilities funding for certain Blountstown High School expenditures incurred in previous years. The following graph shows the General Fund balances from the 2003-04 to 2009-10 fiscal years.



Special Revenue – ARRA Economic Stimulus Fund: The Special Revenue – ARRA Economic Stimulus Fund has total revenues and expenditures of \$1,236,401.80 each. 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.

Debt Service – Other Fund: The Debt Service – Other Fund is used to account for repayments to the Florida Special Facilities Trust Fund, and does not have a fund balance because transfers from capital projects funds accounted for in this fund are due to the Florida Department of Education as of June 30, 2010.

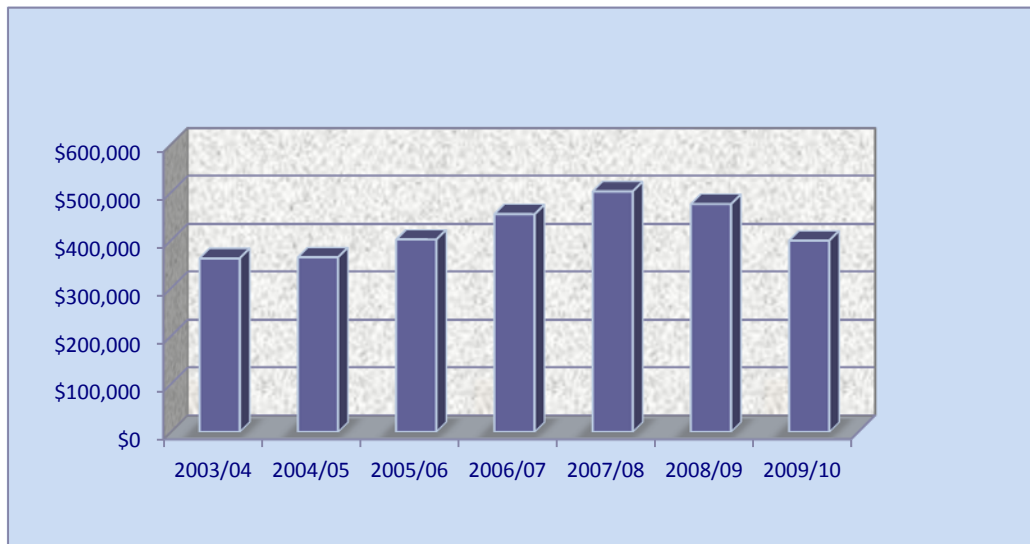
Capital Projects – Public Education Capital Outlay Fund: The Capital Projects – Public Education Capital Outlay Fund had a total fund balance of \$566,115.19, which is restricted for the acquisition, construction, and maintenance of capital assets. The total fund balance has been encumbered for construction of the New Blountstown High School.

Capital Projects – Other Fund: The Capital Projects – Other Fund had a total fund balance of \$2,199,173.42 at June 30, 2010. This fund balance consisted of \$118,257.25 in miscellaneous local capital outlay funds, \$23,264.84 in the Sales Tax Fund, and \$2,057,651.33 in the Department of Environmental Settlement Fund. The fund balance

decreased by \$335,101.96, due in part to transfers to the General Fund for reimbursement of expenditures related to the New Blountstown High School.

Property/Casualty Insurance Premiums

After experiencing significant increases in property/casualty insurance premiums for the 2004-05 to 2007-08 fiscal years, the District experienced a decrease in the property/casualty premiums for the 2008-09 and 2009-10 fiscal years. The following graph depicts historical insurance premiums for the District.



Proprietary Funds

In the current fiscal year, revenues exceeded expenses, resulting in an increase in net assets of \$281,476.49, and a net asset balance of \$1,481,044.18 at June 30, 2010. This can be compared to the previous fiscal year in which revenues exceeded expenses by \$296,922.32. The net asset increases resulted mainly from efforts to provide sufficient resources in the self-insurance program.

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 2009-10 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total appropriations and other financing sources amounting to \$148.07, which is less than 1 percent.

Actual expenditures and other financing uses were \$963,890.61 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 \$1,385,007.74.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District’s investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$22,532,634.44 (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.

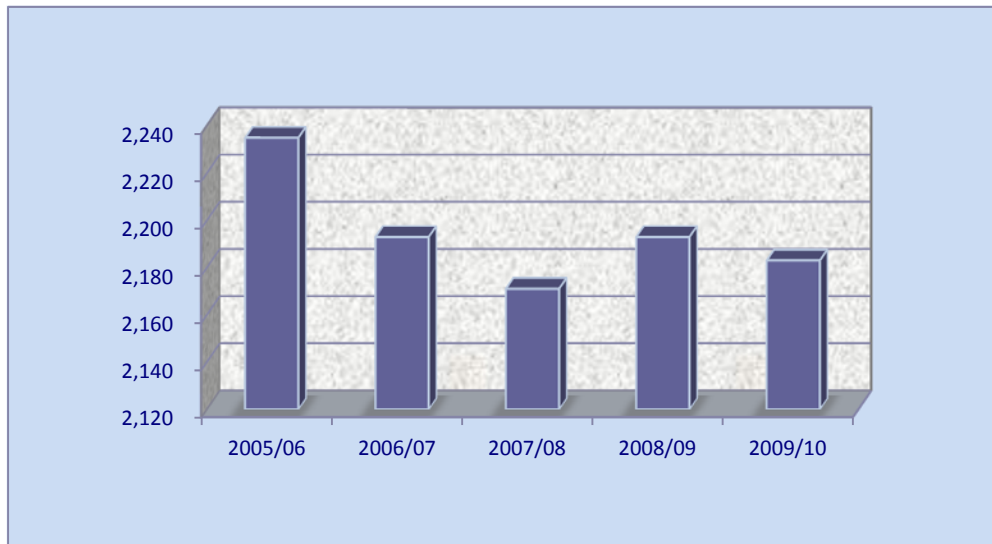
Additional information on the District’s capital assets can be found in Notes 4 and 13 to the financial statements.

Long-Term Debt

Information on the District’s long-term debt can be found in Notes 5 and 6 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

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 (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. As shown in the following chart, after experiencing decreases for the 2005-06 to 2007-08 fiscal years, the FTE increased in the 2008-09 fiscal year. The District experienced a decrease in FTE during the 2009-10 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, 20859 Central Avenue East, Room G-20, Blountstown, FL 32424.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 9,153,054.02
Investments	110,950.28
Accounts Receivable	10,475.92
Due from Fiscal Agent	1,878,616.00
Due from Other Agencies	35,559.56
Inventories	21,158.61
Capital Assets:	
Nondepreciable Capital Assets	12,951,793.93
Depreciable Capital Assets, Net	9,580,840.51
TOTAL ASSETS	\$ 33,742,448.83
LIABILITIES	
Payroll Deductions and Withholdings	\$ 99,269.95
Accounts Payable	499,349.84
Construction Contracts Payable - Retainage	637,423.71
Due to Other Agencies	543,079.12
Deposits Payable	4,165.48
Estimated Insurance Claims Payable	112,543.00
Long-Term Liabilities:	
Portion Due Within One Year	618,382.01
Portion Due After One Year	2,445,512.75
Total Liabilities	4,959,725.86
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	22,217,415.85
Restricted for:	
State Required Carryover Programs	16,147.89
Capital Projects	1,685,003.80
Unrestricted	4,864,155.43
Total Net Assets	28,782,722.97
TOTAL LIABILITIES AND NET ASSETS	\$ 33,742,448.83

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 10,880,999.34	\$ 2,167.00	\$	\$	\$ (10,878,832.34)
Pupil Personnel Services	691,226.04				(691,226.04)
Instructional Media Services	331,262.81				(331,262.81)
Instruction and Curriculum Development Services	714,198.80				(714,198.80)
Instructional Staff Training Services	329,840.69				(329,840.69)
Instruction Related Technology	411,793.63				(411,793.63)
School Board	299,977.59				(299,977.59)
General Administration	361,332.18				(361,332.18)
School Administration	1,096,883.27				(1,096,883.27)
Facilities Acquisition and Construction	425,333.07			10,401,443.75	9,976,110.68
Fiscal Services	396,222.08				(396,222.08)
Food Services	1,129,435.81	331,199.80	816,771.42		18,535.41
Central Services	1,049.44				(1,049.44)
Pupil Transportation Services	1,025,766.77				(1,025,766.77)
Operation of Plant	1,293,405.23				(1,293,405.23)
Maintenance of Plant	308,311.24				(308,311.24)
Administrative Technology Services	16,356.54				(16,356.54)
Community Services	100,409.70				(100,409.70)
Unallocated Depreciation Expense*	495,581.55				(495,581.55)
Loss on Disposal of Capital Assets	5,395.07				(5,395.07)
Total Governmental Activities	\$ 20,314,780.85	\$ 333,366.80	\$ 816,771.42	\$ 10,401,443.75	(8,763,198.88)
General Revenues:					
Taxes:					
					2,319,623.47
					395,796.46
					371,498.41
					15,759,122.78
					114,778.00
					326,179.32
Total General Revenues					19,286,998.44
Change in Net Assets					10,523,799.56
Net Assets - Beginning					18,258,923.41
Net Assets - Ending					\$ 28,782,722.97

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

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

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

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Debt Service - Other Fund	Capital Projects - Public Education Capital Outlay Fund
ASSETS				
Cash and Cash Equivalents	\$ 4,824,293.73	\$ 15,264.63	\$	\$ 1,220,999.90
Investments	109,472.64			
Accounts Receivable	165.00			
Due from Other Funds	61,450.70		541,968.92	
Due from Other Agencies	28,136.73			
Inventories				
TOTAL ASSETS	\$ 5,023,518.80	\$ 15,264.63	\$ 541,968.92	\$ 1,220,999.90
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll Deductions and Withholdings	\$ 86,123.34	\$ 5,723.60	\$	\$
Accounts Payable	180,210.10	8,750.00		
Construction Contracts Payable - Retainage				637,423.71
Due to Other Funds				17,461.00
Due to Other Agencies	30.00	791.03	541,968.92	
Deposits Payable				
Total Liabilities	266,363.44	15,264.63	541,968.92	654,884.71
Fund Balances:				
Reserved for State Required Carryover Programs	16,147.89			
Reserved for Encumbrances	3,939.48			566,115.19
Unreserved:				
Designated, Reported in General Fund:				
Designated for Compensated Absences	1,023,116.27			
Undesignated, Reported in:				
General Fund	3,713,951.72			
Special Revenue Funds				
Capital Projects Funds				
Total Fund Balances	4,757,155.36			566,115.19
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,023,518.80	\$ 15,264.63	\$ 541,968.92	\$ 1,220,999.90

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,571,315.38 1,477.64	\$ 521,180.38	\$ 9,153,054.02 110,950.28 165.00 603,419.62 35,559.56 21,158.61
<u>\$ 2,572,793.02</u>	<u>\$ 549,761.82</u>	<u>\$ 9,924,307.09</u>
\$ 373,619.60	\$ 7,423.01 15,050.00 212,339.02 289.17 4,165.48	\$ 99,269.95 204,010.10 637,423.71 603,419.62 543,079.12 4,165.48
<u>373,619.60</u>	<u>239,266.68</u>	<u>2,091,367.98</u> 16,147.89 570,054.67 1,023,116.27 3,713,951.72 51,522.80 2,458,145.76
2,199,173.42	51,522.80 258,972.34	2,199,173.42
<u>2,199,173.42</u>	<u>310,495.14</u>	<u>7,832,939.11</u>
<u>\$ 2,572,793.02</u>	<u>\$ 549,761.82</u>	<u>\$ 9,924,307.09</u>

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

Total Fund Balances - Governmental Funds \$ 7,832,939.11

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. 22,532,634.44

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. 1,481,044.18

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:

Special Public Education Capital Outlay Advance Payable	\$ 1,536,218.49	
Compensated Absences Payable	1,023,116.27	
Other Postemployment Benefits Payable	504,560.00	(3,063,894.76)

Total Net Assets - Governmental Activities \$ 28,782,722.97

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, 2010**

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Debt Service - Other Fund	Capital Projects - Public Education Capital Outlay Fund
Revenues				
Intergovernmental:				
Federal Through State and Local State	\$ 116,365.94	\$ 1,236,401.80	\$	\$ 10,253,664.59
Local:				
Property Taxes	2,319,623.47			
Local Sales Taxes				
Charges for Services - Food Service				
Miscellaneous	407,729.43			17,461.70
Total Revenues	15,745,592.15	1,236,401.80		10,271,126.29
Expenditures				
Current - Education:				
Instruction	9,446,394.54	991,586.09		
Pupil Personnel Services	475,386.66	39,994.47		
Instructional Media Services	328,737.65			
Instruction and Curriculum Development Services	489,444.82	23,281.83		
Instructional Staff Training Services	16,863.02	79,499.58		
Instruction Related Technology	399,351.58	142.45		
School Board	304,538.33			
General Administration	291,494.93	15,451.67		
School Administration	1,074,072.84			
Facilities Acquisition and Construction	43,374.58			
Fiscal Services	379,161.68			
Food Services		1,464.88		
Central Services	1,081.68			
Pupil Transportation Services	783,113.48			
Operation of Plant	1,280,135.99			
Maintenance of Plant	299,613.97			
Administrative Technology Services	16,356.54			
Community Services	30,455.70			
Fixed Capital Outlay:				
Facilities Acquisition and Construction				10,269,055.95
Other Capital Outlay	33,870.47	84,980.83		
Debt Service:				
Principal			541,968.92	
Total Expenditures	15,693,448.46	1,236,401.80	541,968.92	10,269,055.95
Excess (Deficiency) of Revenues Over Expenditures	52,143.69		(541,968.92)	2,070.34
Other Financing Sources (Uses)				
Transfers In	1,611,239.50		541,968.92	
Insurance Loss Recoveries	605.98			
Proceeds of Special Facilities Construction Advance				2,078,187.41
Transfers Out				(1,628,075.50)
Total Other Financing Sources (Uses)	1,611,845.48		541,968.92	450,111.91
Net Change in Fund Balances	1,663,989.17			452,182.25
Fund Balances, Beginning	3,093,166.19			113,932.94
Fund Balances, Ending	\$ 4,757,155.36	\$ 0.00	\$ 0.00	\$ 566,115.19

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 71,453.00	\$ 2,302,388.15 95,191.16	\$ 3,655,155.89 23,322,182.06
371,498.41	395,796.46	2,715,419.93 371,498.41
11,758.71	331,199.80	331,199.80
<u>454,710.12</u>	<u>3,130,144.07</u>	<u>30,837,974.43</u>
	671,576.43	11,109,557.06
	169,200.20	684,581.33
	412.62	329,150.27
	192,923.74	705,650.39
	228,875.18	325,237.78
		399,494.03
		304,538.33
	51,879.06	358,825.66
265,664.59	109,406.32	1,074,072.84 418,445.49
		379,161.68
	1,124,973.85	1,126,438.73
		1,081.68
	107,547.60	890,661.08
		1,280,135.99
		299,613.97
		16,356.54
	69,954.00	100,409.70
149,902.89	90,697.49	10,509,656.33
	202,105.59	320,956.89
		<u>541,968.92</u>
<u>415,567.48</u>	<u>3,019,552.08</u>	<u>31,175,994.69</u>
39,142.64	110,591.99	(338,020.26)
1,553,493.50		3,706,701.92 605.98
<u>(1,927,738.10)</u>	<u>(150,888.32)</u>	<u>2,078,187.41</u> <u>(3,706,701.92)</u>
<u>(374,244.60)</u>	<u>(150,888.32)</u>	<u>2,078,793.39</u>
(335,101.96)	(40,296.33)	1,740,773.13
<u>2,534,275.38</u>	<u>350,791.47</u>	<u>6,092,165.98</u>
<u>\$ 2,199,173.42</u>	<u>\$ 310,495.14</u>	<u>\$ 7,832,939.11</u>

**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, 2010**

Net Change in Fund Balances - Governmental Funds \$ 1,740,773.13

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.	10,205,714.25
The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure 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.	(5,395.07)
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 used in excess of the amount earned in the current period.	86,780.25
Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year.	(249,331.00)
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.	281,476.49
The Special Public Education Capital Outlay Advance provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net assets. This is the net increase in the Special Public Education Capital Outlay Advance Payable in the current period.	(1,536,218.49)

Change in Net Assets - Governmental Activities \$ 10,523,799.56

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

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

		Governmental Activities - Internal Service Fund
<hr/>		
ASSETS		
Current Assets:		
Due From Fiscal Agent	\$	1,878,616.00
Accounts Receivable		10,310.92
		<hr/>
TOTAL ASSETS	\$	1,888,926.92
		<hr/> <hr/>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$	295,339.74
Estimated Insurance Claims Payable		112,543.00
		<hr/>
Total Liabilities		407,882.74
		<hr/>
NET ASSETS		
Unrestricted		1,481,044.18
		<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$	1,888,926.92
		<hr/> <hr/>

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, 2010**

		Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Premiums from Board Funds and Participants	\$	2,121,345.67
OPERATING EXPENSES		
Insurance Claims		1,350,107.09
Insurance Premiums		311,398.40
Service Agent Fees		168,020.80
Purchased Services		25,874.44
Total Operating Expenses		<u>1,855,400.73</u>
Operating Income		<u>265,944.94</u>
NONOPERATING REVENUES		
Interest		15,531.55
Change in Net Assets		281,476.49
Total Net Assets - Beginning		<u>1,199,567.69</u>
Total Net Assets - Ending	\$	<u><u>1,481,044.18</u></u>

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, 2010**

		Governmental Activities - Internal Service Fund
	\$	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Board Funds and Participants	2,121,345.67	
Cash Payments to Vendors for Goods and Services	(369,793.87)	
Cash Payments for Insurance Claims	(1,324,190.09)	
Other Operating Expenses	(442,893.26)	
Net Cash Used by Operating Activities		(15,531.55)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income		15,531.55
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 Used by Operating Activities:		
Operating Income	\$	265,944.94
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:		
Changes in Assets and Liabilities:		
Increase in Due from Fiscal Agent		(432,582.34)
Increase in Accounts Receivable		(10,310.92)
Increase in Accounts Payable		135,499.77
Increase in Estimated Insurance Claims Payable		25,917.00
Total Adjustments		(281,476.49)
Net Cash Used by Operating Activities	\$	(15,531.55)

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 FUND
June 30, 2010**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 272,684.00
LIABILITIES	
Internal Accounts Payable	\$ 272,684.00

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Calhoun County School District (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 (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 that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the District.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, i.e., the statement of net assets and the statement of activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the primary government.

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.

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, 2010**

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Debt Service – Other Fund – to account for the accumulation of financial resources for the payment of debt principal, interest, and related costs for the Special Public Education Capital Outlay Advance Payable.
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources generated by the Public Education Capital Outlay and Debt Service Trust Fund to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.
- Capital Projects – Other Fund – to account for the financial resources set aside by the Board, sales tax revenues, Florida Department of Environmental Protection remediation assistance settlement, and Classrooms First allocations to be used for educational capital outlay needs, including renovation and remodeling projects.

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.

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

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

judgments, other postemployment 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' 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) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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

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

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost based on the last invoice, which approximates the first-in, first-out basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

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

➤ **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.

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.

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

➤ **State Revenue Sources**

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

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

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

The State provides financial assistance to administer certain educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same educational programs. The Department generally requires that 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 and earmarked educational program resources.

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

Pursuant to Section 1013.64, Florida Statutes, the District received a special allocation in the 2009-10 fiscal year for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund - Special Facility Construction Account. As a condition for receiving these funds, other construction funding must be pledged for the project, including the capital outlay millage levied pursuant to Section 1011.71(2), Florida Statutes, and the District must contribute 1.125 mills each year from the 2009-10 through the 2012-13 fiscal years. During the four-year period, reductions to the special allocations are made to the extent of collections from the required pledged sources.

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

➤ **District Property Taxes**

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

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

The Board adopted the 2009 tax levy on September 8, 2009. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the 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.

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

➤ **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.

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

As of June 30, 2010, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	46 Day Average	\$ 4,000,780.44
Fund B Surplus Funds Trust Fund (Fund B)	8.05 Year Average	110,950.28
Total Investments		<u>\$ 4,111,730.72</u>

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

Interest Rate Risk

- The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

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

- Florida PRIME had a weighted average days to maturity (WAM) of 46 days at June 30, 2010. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Fund B had a weighted average life (WAL) of 8.05 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2010. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to the SBA Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME, or 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 in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy limits investments to bids from qualified depositories, financial deposit instruments insured by the Federal Deposit Insurance Corporation, time deposits, securities of the United States Government, state managed cooperative investment plans, and other forms of investments as authorized by Section 218.415, Florida Statutes, as well as Florida PRIME.
- As of June 30, 2010, the District's investment in Florida PRIME is rated AAAM by Standard & Poor's. Fund B is unrated.

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

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,198,434.99			\$ 1,198,434.99
Construction in Progress	1,598,235.00	10,155,123.94		11,753,358.94
Total Capital Assets Not Being Depreciated	2,796,669.99	10,155,123.94		12,951,793.93
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	972,767.54	127,130.66		1,099,898.20
Buildings and Fixed Equipment	13,376,190.25	206,221.65		13,582,411.90
Furniture, Fixtures, and Equipment	2,050,092.20	126,753.11	61,666.92	2,115,178.39
Motor Vehicles	1,983,890.00	188,608.00	45,107.00	2,127,391.00
Audio Visual Materials and Computer Software	836,736.73	26,775.86		863,512.59
Total Capital Assets Being Depreciated	19,219,676.72	675,489.28	106,773.92	19,788,392.08
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	294,169.33	42,844.19		337,013.52
Buildings and Fixed Equipment	5,750,051.51	264,938.22		6,014,989.73
Furniture, Fixtures, and Equipment	1,529,877.55	127,684.88	59,121.85	1,598,440.58
Motor Vehicles	1,376,494.83	129,317.42	42,257.00	1,463,555.25
Audio Visual Materials and Computer Software	733,438.23	60,114.26		793,552.49
Total Accumulated Depreciation	9,684,031.45	624,898.97	101,378.85	10,207,551.57
Total Capital Assets Being Depreciated, Net	9,535,645.27	50,590.31	5,395.07	9,580,840.51
Governmental Activities Capital Assets, Net	\$ 12,332,315.26	\$ 10,205,714.25	\$ 5,395.07	\$ 22,532,634.44

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 129,317.42
Unallocated	495,581.55
Total Depreciation Expense - Governmental Activities	\$ 624,898.97

5. SPECIAL PUBLIC EDUCATION CAPITAL OUTLAY ADVANCE PAYABLE

The liability at June 30, 2010, of \$1,536,218.49 represents the amount of the Public Education Capital Outlay Special Facilities allocation expected to be replaced by other District capital outlay sources that are committed under Section 1013.64, Florida Statutes, for funding specific construction needs. The liability is expected to be retired by the close of the 2012-13 fiscal year.

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

6. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Special Public Education Capital Outlay					
Advance Payable	\$	\$2,078,187.41	\$ 541,968.92	\$1,536,218.49	\$ 535,552.99
Compensated Absences Payable	1,109,896.52	28,832.09	115,612.34	1,023,116.27	82,829.02
Other Postemployment Benefits Payable	255,229.00	570,639.00	321,308.00	504,560.00	
Total Governmental Activities	<u>\$1,365,125.52</u>	<u>\$2,677,658.50</u>	<u>\$ 978,889.26</u>	<u>\$3,063,894.76</u>	<u>\$ 618,382.01</u>

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

7. 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	\$ 61,450.70	\$
Debt Service:		
Other	541,968.92	
Capital Projects:		
Public Education Capital Outlay		17,461.00
Other		373,619.60
Nonmajor Governmental		212,339.02
Total	<u>\$ 603,419.62</u>	<u>\$ 603,419.62</u>

Interfund receivables and payables are to reimburse the General Fund for temporary advances made to the Special Revenue – Food Service Fund and Special Revenue – Other Fund and for repayment of the Public Education Capital Outlay (PECO) Special Facilities allocation to the Debt Service – Other Fund. These amounts are expected to be repaid within one year.

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 1,611,239.50	\$
Debt Service:		
Other	541,968.92	
Capital Projects:		
Public Education Capital Outlay		1,628,075.50
Other	1,553,493.50	1,927,738.10
Nonmajor Governmental		150,888.32
	<u>\$ 3,706,701.92</u>	<u>\$ 3,706,701.92</u>
Total		

The principal purposes of the interfund transfers are to provide for the repayment of the PECO Special Facilities allocation, the transfer of PECO maintenance to the General Fund, and the reimbursement of expenditures related to the construction of the New Blountstown High School.

8. RESERVE FOR ENCUMBRANCES

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

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

Because revenues of grants accounted for in the Special Revenue – Other and the Special Revenue – ARRA Economic Stimulus Funds 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 and the Special Revenue – ARRA Economic Stimulus Funds total \$97,719.56 and \$74,314.18, respectively, at June 30, 2010.

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

9. SCHEDULE OF STATE REVENUE SOURCES

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

<u>Source</u>	<u>Amount</u>
Gross Receipts Tax (Public Education Capital Outlay)	\$ 10,253,664.59
Florida Education Finance Program	9,996,090.00
Categorical Educational Program - Class Size Reduction	2,201,180.00
Workforce Development Program	160,937.00
School Recognition Program	132,301.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	75,389.93
Classrooms First Program	71,453.00
Food Service Supplement	18,543.00
Mobile Home License Tax	5,655.82
Discretionary Lottery Funds	5,618.00
Miscellaneous	<u>401,349.72</u>
 Total	 <u><u>\$ 23,322,182.06</u></u>

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

10. PROPERTY TAXES

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

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.198	\$ 2,049,357.73
Basic Discretionary Local Effort	0.748	294,905.65
Supplemental Discretionary Local Effort	0.250	98,564.72
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.050</u>	<u>413,971.84</u>
 Total	 <u><u>7.246</u></u>	 <u><u>\$2,856,799.94</u></u>

11. FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. FRS is a single retirement system administered by the Florida Department of Management Services, Division

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

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

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

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

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

FRS Retirement Contribution Rates

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

Class	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.

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

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, to the Plan for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$1,169,489.19, \$1,167,056.17, and \$1,149,539.10, respectively, which were equal to the required contributions for each fiscal year. There were 21 PEORP participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled \$49,741.98.

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.

12. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's self-insured health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The District 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, 2010, benefits are being provided to 63 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 Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. Plan contribution requirements of the District and Plan members are established and may be amended through 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 2009-10 fiscal year, 63 retirees received other postemployment benefits. The District provided required contributions of \$321,308 toward the annual OPEB cost, net of retiree contributions totaling \$367,078, which represents 5.03 percent of covered payroll.

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

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:

Description	Amount
Normal Cost (service cost for one year)	\$ 260,395
Amortization of Unfunded Actuarial Accrued Liability	285,214
Interest on Normal Cost and Amortization	23,953
Annual Required Contribution	569,562
Interest on Net OPEB Obligation	9,061
Adjustment to Annual Required Contribution	(7,984)
Annual OPEB Cost (Expense)	570,639
Contribution Toward the OPEB Cost	(321,308)
Increase in Net OPEB Obligation	249,331
Net OPEB Obligation, Beginning of Year	255,229
Net OPEB Obligation, End of Year	\$ 504,560

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2008	\$		\$ 0
2008-09	548,813	53.49%	255,229
2009-10	570,639	56.31%	504,560

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 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

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

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

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

The District’s initial OPEB actuarial valuation as of October 1, 2007, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and to estimate the District’s 2009-10 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.55 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 9 percent for the 2009-10 fiscal year, reduced to an ultimate rate of 5 percent after 8 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, 2010, was 28 years.

13. 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	\$ 1,974,229.75	\$ 1,804,749.25	\$ 169,480.50
Contractor	21,748,098.00	9,854,732.54	11,893,365.46
Total	\$ 23,722,327.75	\$ 11,659,481.79	\$ 12,062,845.96

The New Blountstown High School is being funded primarily by Legislative appropriations from the Public Education Capital Outlay Special Facility Construction Account. An initial allocation of \$12,274,731 was received in the 2009-10 fiscal year and a second allocation of \$12,274,731 is expected to be received in the 2010-11 fiscal year.

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

14. 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 protections, 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 insurance coverage in any of the past three fiscal years.

A liability in the amount of \$112,543.00 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2010, 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	Fiscal-Year Liability	Claims and Changes in Estimates	Payments	Fiscal Year-End
2008-09	\$ 91,689.00	\$ 1,274,561.69	\$ (1,279,624.69)	\$ 86,626.00
2009-10	86,626.00	1,350,107.09	(1,324,190.09)	112,543.00

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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, 2010**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Through State and Local State	\$ 55,000.00	\$ 55,000.00	\$ 116,365.94	\$ 61,365.94
Local:	12,939,594.00	12,939,742.07	12,901,873.31	(37,868.76)
Property Taxes	2,330,338.00	2,330,338.00	2,319,623.47	(10,714.53)
Miscellaneous			407,729.43	407,729.43
Total Revenues	15,324,932.00	15,325,080.07	15,745,592.15	420,512.08
Expenditures				
Current - Education:				
Instruction	9,574,521.00	9,742,039.55	9,446,394.54	295,645.01
Pupil Personnel Services	557,000.00	535,210.00	475,386.66	59,823.34
Instructional Media Services	381,000.00	355,550.00	328,737.65	26,812.35
Instruction and Curriculum Development Services	511,700.00	507,570.00	489,444.82	18,125.18
Instructional Staff Training Services	48,000.00	25,950.00	16,863.02	9,086.98
Instruction Related Technology	425,000.00	415,120.00	399,351.58	15,768.42
School Board	299,000.00	305,680.00	304,538.33	1,141.67
General Administration	341,000.00	301,618.07	291,494.93	10,123.14
School Administration	1,150,000.00	1,115,800.00	1,074,072.84	41,727.16
Facilities Acquisition and Construction	74,000.00	76,931.45	43,374.58	33,556.87
Fiscal Services	381,000.00	391,040.00	379,161.68	11,878.32
Food Services				
Central Services		1,195.00	1,081.68	113.32
Pupil Transportation Services	896,000.00	880,305.00	783,113.48	97,191.52
Operation of Plant	1,449,000.00	1,429,400.00	1,280,135.99	149,264.01
Maintenance of Plant	359,500.00	360,600.00	299,613.97	60,986.03
Administrative Technology Services	24,000.00	24,000.00	16,356.54	7,643.46
Community Services	45,000.00	45,000.00	30,455.70	14,544.30
Fixed Capital Outlay:				
Other Capital Outlay	41,470.00	44,330.00	33,870.47	10,459.53
Total Expenditures	16,557,191.00	16,557,339.07	15,693,448.46	863,890.61
Excess (Deficiency) of Revenues Over Expenditures	(1,232,259.00)	(1,232,259.00)	52,143.69	1,284,402.69
Other Financing Sources (Uses)				
Transfers In	1,611,240.43	1,611,240.43	1,611,239.50	(0.93)
Insurance Loss Recoveries			605.98	605.98
Transfers Out	(100,000.00)	(100,000.00)		100,000.00
Total Other Financing Sources (Uses)	1,511,240.43	1,511,240.43	1,611,845.48	100,605.05
Net Change in Fund Balances	278,981.43	278,981.43	1,663,989.17	1,385,007.74
Fund Balances, Beginning	3,093,166.19	3,093,166.19	3,093,166.19	
Fund Balances, Ending	\$ 3,372,147.62	\$ 3,372,147.62	\$ 4,757,155.36	\$ 1,385,007.74

Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 1,147,344.63	\$ 1,744,151.50	\$ 1,236,401.80	\$ (507,749.70)
<u>1,147,344.63</u>	<u>1,744,151.50</u>	<u>1,236,401.80</u>	<u>(507,749.70)</u>
908,908.50	1,144,664.24	991,586.09	153,078.15
48,722.00	58,726.26	39,994.47	18,731.79
5,000.00	49,459.77	23,281.83	26,177.94
40,261.00	203,099.13	79,499.58	123,599.55
	142.45	142.45	
6,727.50	28,389.74	15,451.67	12,938.07
	1,464.88	1,464.88	
<u>137,725.63</u>	<u>258,205.03</u>	<u>84,980.83</u>	<u>173,224.20</u>
<u>1,147,344.63</u>	<u>1,744,151.50</u>	<u>1,236,401.80</u>	<u>507,749.70</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

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

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

1. BUDGETARY BASIS OF ACCOUNTING

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

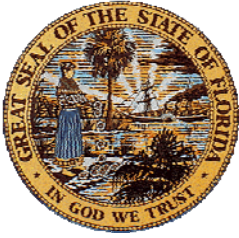
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 196,687.66
National School Lunch Program	10.555	300, 350	537,113.21
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	64,427.55
Total Child Nutrition Cluster			798,228.42
Florida Department of Education:			
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	37,225.63
Total United States Department of Agriculture			835,454.05
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	501,548.61
Special Education - Preschool Grants	84.173	267	31,336.55
ARRA - Special Education Grants to States, Recovery Act	84.391	263	215,353.87
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	8,311.11
Total Special Education Cluster			756,550.14
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	645,730.25
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 226	191,625.82
Total Title I, Part A Cluster			837,356.07
Educational Technology State Grants Cluster:			
Florida Department of Education:			
Education Technology State Grants	84.318	121	4,741.21
ARRA - Education Technology State Grants, Recovery Act	84.386	121	10,540.41
Total Educational Technology State Grants Cluster			15,281.62
State Fiscal Stabilization Fund Cluster:			
Florida Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	661,603.00
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	101,422.96
Total State Fiscal Stabilization Fund Cluster			763,025.96
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	53,585.57
Career and Technical Education - Basic Grants to States	84.048	151, 161	63,026.00
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	8,309.57
Rural Education	84.358	110	59,037.70
Improving Teacher Quality State Grants	84.367	224	136,844.27
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	10,319.00
Total United States Department of Education			2,703,335.90
Total Expenditures of Federal Awards			\$ 3,538,789.95

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

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



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FAX: 850-488-6975

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

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

We have audited the financial statements of the governmental activities, 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, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds, as described in our report on the Calhoun County District School Board's financial statements. For the school internal funds, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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.

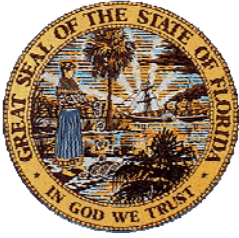
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

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
December 3, 2010



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
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 COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Compliance

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

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct

and material effect on a major Federal program to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Respectfully submitted,



David W. Martin, CPA
December 3, 2010

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be 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> ?	No
Identification of major programs:	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); and State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 and 84.397)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

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

ADDITIONAL MATTERS

Finding No. 1: Performance Assessments

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

The District established performance assessment procedures based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes, except that the instructional employees were not evaluated based primarily on student performance. While the instructional performance appraisals included student performance as a component of the evaluation, District records did not sufficiently evidence a correlation between student performance and the employee's performance assessments and records did not demonstrate that student performance was the primary factor for the overall evaluation rating. For example, the evaluation form did not provide a numeric or percentage indicator to show that student achievement was the primary contributing factor used to evaluate employee performance. Without measuring employee performance by the required criteria, performance assessments of instructional personnel are incomplete and may not effectively communicate the employee's accomplishments or shortcomings.

Recommendation: The District should enhance procedures to ensure that performance assessments of instructional personnel are based primarily on student performance, and maintain records to evidence this.

Finding No. 2: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes, provides that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes, requires the Board to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and must allow differentiated pay based on

District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes. Such policies and procedures could establish and clearly communicate the performance measures affecting instructional employee compensation. In addition, the Board had not adopted formal policies and procedures establishing the documented process to identify the instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes. Such policies and procedures could specify the prescribed factors to be used as the basis for determining differential pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

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

- **Instructional Personnel.** The instructional personnel salary schedule did not evidence that a portion of the compensation of each instructional employee was based on performance, contrary to Section 1012.22(1)(c)2., Florida Statutes. In addition the salary schedule did not evidence differentiated pay based on level of job performance difficulties for instructional personnel, contrary to Section 1012.22(1)(c)4., Florida Statutes.

The instructional personnel salary schedule provided salary supplements for additional responsibilities beyond the standard seven and half hour day, such as supplements for athletic coaches, band and choral directors, peer teachers, and club sponsors. Also, the salary schedule provided differential pay for school demographics, such as the lead teacher for the trainable mentally handicapped program, and for critical shortage areas, such as speech and language pathologists, vocational teachers, and dual enrollment teachers. However, District records did not sufficiently evidence the basis for identifying the selected critical shortage areas. Such documentation could include records evidencing a minimal number of applicants, high personnel turnover rates, and other factors demonstrating the difficulty of hiring and retaining particular personnel.

- **School-based Administrators.** District personnel indicated that the school-based administrators' salary schedule included consideration for additional responsibilities, school demographics, and level of job performance difficulties as the schedule provided differing administrative pay grades for elementary, middle, secondary, and combination school administrators. However, the salary schedule did not evidence consideration of differentiated pay based on critical shortage areas for school-based administrators, contrary to Section 1012.22(1)(c)4., Florida Statutes.

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

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

Finding No. 3: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity

verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

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

The District obtains SSNs from individuals including employees, students, vendors and others for various reasons, such as record keeping, student enrollment, and tax-related purposes. District personnel prepared written statements notifying individuals of the purpose for the collection of the SSNs, including a notification to parents and students in a parent guide. However, because of oversight, the written statements did not indicate whether the collection was authorized or mandatory under Federal or State law and identify the specific Federal or State law governing the collection, use, or release of the SSNs.

Subsequent to our inquiry, in March 2010, the District developed new written statements that were more specific to employees, students, and vendors and included the required information for most of the notifications except for the parent guide that District personnel anticipated would be updated before the next fiscal year. Effective controls to properly monitor the need for and use of SSNs and to ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2010-068.

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, 2010*

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2010-068 (1)	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 No. 84.394); and State Fiscal Stabilization Fund - Government Services, Recovery Act (CFDA No. 84.397) - Reporting and Special Tests and Provisions	Contrary to registration requirements for Federal awards, the District did not timely renew its registration in the Central Contractor Registration database.	Corrected	The District timely renewed its registration with the Central Contractor Registration database.

EXHIBIT A
MANAGEMENT’S RESPONSE

Board Meets Second
Tuesday of Each Month
850-674-5927
850-674-5814-Fax

CALHOUN COUNTY SCHOOL BOARD
WILSON T. MCCLELLAN, SUPERINTENDENT
20859 CENTRAL AVENUE E., RM. G-20
BLOUNTSTOWN, FLORIDA 32424

November 19, 2010

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, 2010.

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: Performance Assessments

Calhoun County School District is in the process of designing and implementing teacher and principal evaluations that meet the requirements of the Florida Statutes and the Race to the Top Memoranda of Understanding. The revised teacher appraisal system will be completed no later than May 1, 2011. The revised principal evaluation will be complete in August of 2011. Both evaluation systems will begin implementation during the 2011/2012 school year.

Finding No. 2: Compensation and Salary Schedules

Calhoun County School District is working to develop a compensation and salary system that will tie the most significant gains in teacher and principal compensation to effectiveness demonstrated by annual evaluations. The system will also differentiate pay as required by Florida Statute 1012.22(1)(c)4 through bonuses and supplements. Categories for differentiated pay will

“An Equal Opportunity Employer”

include, but not be limited to, additional academic and student activity responsibilities, school demographics, critical shortage areas and level of job performance difficulties.

Finding No. 3: Collection of Social Security Numbers

When obtaining Social Security Numbers from individuals including employees, students, vendors and others for various reasons, Calhoun County School District will continue its efforts to comply with Section 119.071(5)(a), Florida Statutes, by using newly prepared written statements notifying those specific individuals of the purpose for the collection of the Social Security Numbers, including a notification to parents and students in a parent guide. The written statements, by the District, indicate whether the collection is authorized or mandatory under Federal or State law and identify the specific Federal or State law governing the collection, use, or release of the SSNs. The District's efforts are in recognition of the necessity of effective controls to properly monitor the need for and use of SSNs and to ensure compliance with statutory requirements to reduce the risk that SSNs may be used for unauthorized purposes.

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