

CALHOUN COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2012



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2011-12 fiscal year are listed below:

	<u>District No.</u>
Daniel E. Ryals, III	1
Kelly E. King	2
Timothy G. Smith, Chair	3
Kenneth F. Speights, Vice Chair	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 Jason R. Law, 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) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**CALHOUN COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS**

	PAGE NO.
EXECUTIVE SUMMARY.....	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	10
Statement of Activities.....	11
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Statement of Net Assets – Proprietary Fund.....	19
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund.....	20
Statement of Cash Flows – Proprietary Fund.....	21
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.....	22
Notes to Financial Statements	23
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General and Major Special Revenue Funds.....	40
Schedule of Funding Progress – Other Postemployment Benefits Plan.....	42
Notes to Required Supplementary Information.....	43
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	44
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>.....	45
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.....	47
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	49
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS.....	54
EXHIBIT A MANAGEMENT'S RESPONSE	55

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: The Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 2: Controls over contractual payment processing needed to be enhanced.

Finding No. 3: The District needed to strengthen its controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding No. 4: District information technology access controls needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster program was audited as a major Federal program. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on its major Federal program.

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 program; and
- Taken corrective actions for findings included in our report No. 2012-034.

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, 2012. 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.



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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, 2012, 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 11 percent of the assets and 33 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, 2012, and the respective changes in financial position and, where applicable, cash flows 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, BUDGETARY COMPARISON SCHEDULE - GENERAL AND MAJOR SPECIAL REVENUE FUNDS, SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Respectfully submitted,



David W. Martin, CPA
January 8, 2013

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 2011-12 fiscal year are as follows:

- The District's total net assets decreased by \$1,561,526.02, or 3.8 percent, primarily due to a decrease in grants and contributions not restricted to specific programs.
- General revenues total \$17,899,387.91, or 92.9 percent of all revenues in the 2011-12 fiscal year, compared to \$20,083,069.70, or 59.3 percent in the prior fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled \$1,375,814.18, or 7.1 percent, compared to \$13,770,753.72, or 40.7 percent, in the prior fiscal year.
- During the current fiscal year, General Fund expenditures exceeded revenues by \$1,247,783.31. This may be compared to last fiscal year's results in which General Fund expenditures exceeded revenues by \$210,192.96.
- General Fund State funding, which consists primarily of the Florida Education Finance Program (FEFP) and categorical and other earmarked educational programs, decreased \$664,138.81 from the 2010-11 fiscal year.
- The District's student enrollment decreased by 30 students, or 1.4 percent from the prior school 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 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 District's financial health. 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 – Federal Economic Stimulus Fund, Debt Service – Other Fund, and Capital Projects – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. The internal service fund is the only proprietary fund maintained by the District. 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, 2012, compared to net assets as of June 30, 2011:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-12	6-30-11
Current and Other Assets	\$ 8,694,264.27	\$ 10,960,465.84
Capital Assets	34,778,592.75	34,243,687.18
Total Assets	43,472,857.02	45,204,153.02
Long-Term Liabilities	2,720,752.73	2,861,039.42
Other Liabilities	980,087.73	1,009,571.02
Total Liabilities	3,700,840.46	3,870,610.44
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	34,278,670.76	34,239,571.68
Restricted	225,669.77	2,447,289.09
Unrestricted	5,267,676.03	4,646,681.81
Total Net Assets	\$ 39,772,016.56	\$ 41,333,542.58

The largest portion of the District's net assets (86.2 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 (0.6 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (13.2 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, 2012, and June 30, 2011, are as follows:

	Operating Results for the Fiscal Year Ended	
	Governmental	
	Activities	
	6-30-12	6-30-11
Program Revenues:		
Charges for Services	\$ 333,527.51	\$ 340,200.24
Operating Grants and Contributions	894,487.24	866,076.38
Capital Grants and Contributions	147,799.43	12,564,477.10
General Revenues:		
Property Taxes, Levied for Operational Purposes	2,465,388.31	2,540,155.00
Property Taxes, Levied for Capital Projects	415,493.02	411,935.98
Local Sales Taxes	378,067.91	380,339.77
Grants and Contributions Not Restricted to Specific Programs	14,046,151.01	16,336,342.76
Unrestricted Investment Earnings	30,989.50	63,426.41
Miscellaneous	563,298.16	350,869.78
Total Revenues	19,275,202.09	33,853,823.42
Functions/Program Expenses:		
Instruction	10,983,056.36	11,544,225.72
Pupil Personnel Services	541,259.15	892,433.61
Instructional Media Services	238,908.63	433,775.50
Instruction and Curriculum Development Services	678,252.61	651,901.85
Instructional Staff Training Services	217,324.25	259,581.40
Instruction Related Technology	430,254.82	432,373.50
School Board	276,732.71	316,607.21
General Administration	290,921.85	368,987.61
School Administration	1,164,194.56	1,131,809.75
Facilities Acquisition and Construction	819,565.50	238,880.60
Fiscal Services	380,885.76	391,416.73
Food Services	1,190,114.90	1,193,799.20
Pupil Transportation Services	1,247,737.60	1,210,675.87
Operation of Plant	1,474,673.77	1,364,820.32
Maintenance of Plant	321,339.15	327,839.11
Administrative Technology Services	16,012.19	16,741.36
Community Services	30,000.00	32,617.00
Unallocated Interest on Long-Term Debt	43.99	46.28
Unallocated Depreciation Expense	535,429.30	494,471.19
Loss on Disposal of Capital Assets	21.01	
Total Functions/Program Expenses	20,836,728.11	21,303,003.81
Increase (Decrease) in Net Assets	\$ (1,561,526.02)	\$ 12,550,819.61

The largest revenue source is the State of Florida (64.1 percent). Revenues from State sources for current operations are primarily received through the 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 decreased by \$12,416,677.67, or 98.8 percent. This is primarily due to the receipt in the previous fiscal year of a nonrecurring Special Facilities allocation for the new Blountstown High School.

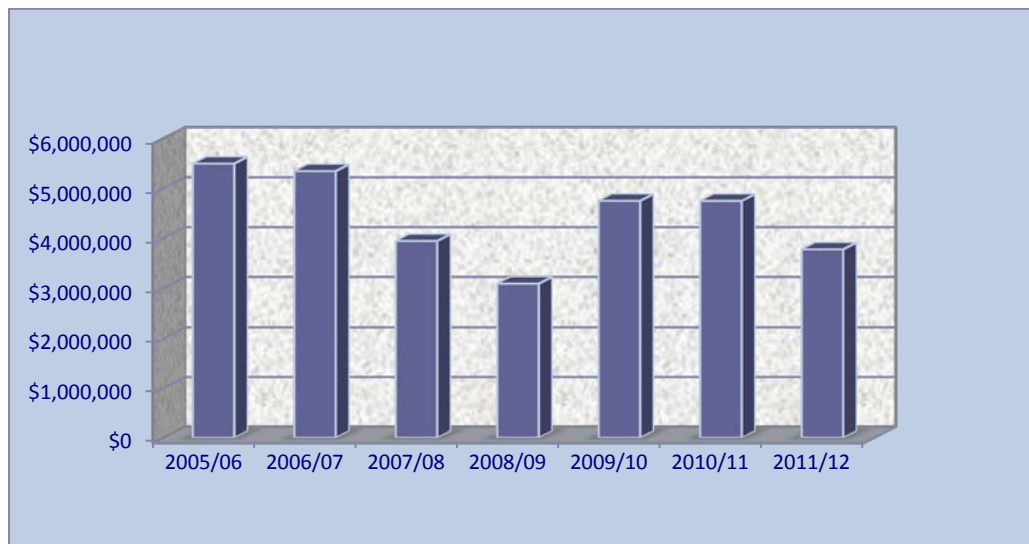
Grants and contributions not restricted to specific purposes declined \$2,290,191.75, primarily due to a decrease in Federal stimulus funding.

Instruction expenses represent 52.7 percent of total governmental expenses in the 2011-12 fiscal year. Instruction expenses decreased \$561,169.36, or 4.9 percent, primarily as a result of a decrease in the retirement contribution rate.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

General Fund: The fund balance of the General Fund decreased for the last two years due in part to State funding cuts for the 2010-11 and 2011-12 fiscal years. The current fiscal year decrease is also due in part to the reduction of Federal Education Jobs funds. The following graph shows total fund balances of the General Fund from the 2005-06 to 2011-12 fiscal years.



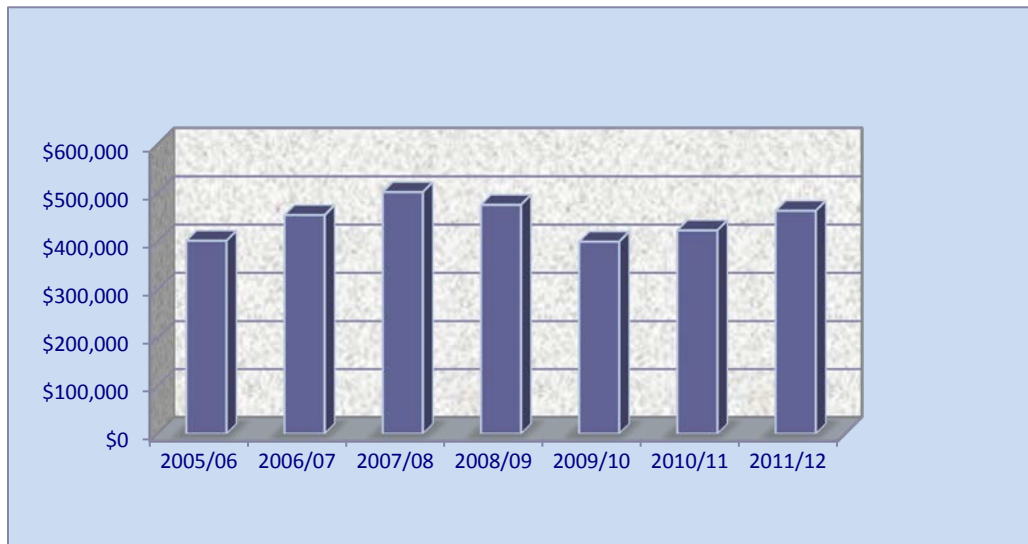
Special Revenue – Federal Economic Stimulus Fund: The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$72,505.60 each. This fund is used to account for certain Federal stimulus program resources. Since Federal revenue is recognized to the extent that eligible 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 project funds accounted for in this fund are due to the Florida Department of Education as of June 30, 2012.

Capital Projects – Other Fund: The Capital Projects – Other Fund has a total fund balance of \$1,907,703.38 at June 30, 2012. This fund balance consisted of \$48,886.79 in the Sales Tax Fund, \$70,824.45 in the Classrooms First Fund, and \$1,787,992.14 in the Department of Environmental Protection Settlement Fund. The fund balance decreased by \$328,829.96 due in part to a purchase of land for Altha School.

Property/Casualty Insurance Premiums

After two fiscal years of experiencing decreases in property/casualty insurance premiums, the District experienced an increase in the property/casualty premiums for the past two 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 \$178,799.43, and a net asset balance of \$1,817,866.47 at June 30, 2012. This can be compared to the previous fiscal year in which revenues exceeded expenses by \$158,022.86. 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 2011-12 fiscal year, the District amended its General Fund budget several times.

Actual expenditures and other financing uses were \$471,529.48 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 \$853,374.98.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$34,778,592.75 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

Major capital asset events during the current fiscal year consisted mainly of completion of the New Blountstown High School. Additional information on the District's capital assets can be found in note 4 to the financial statements.

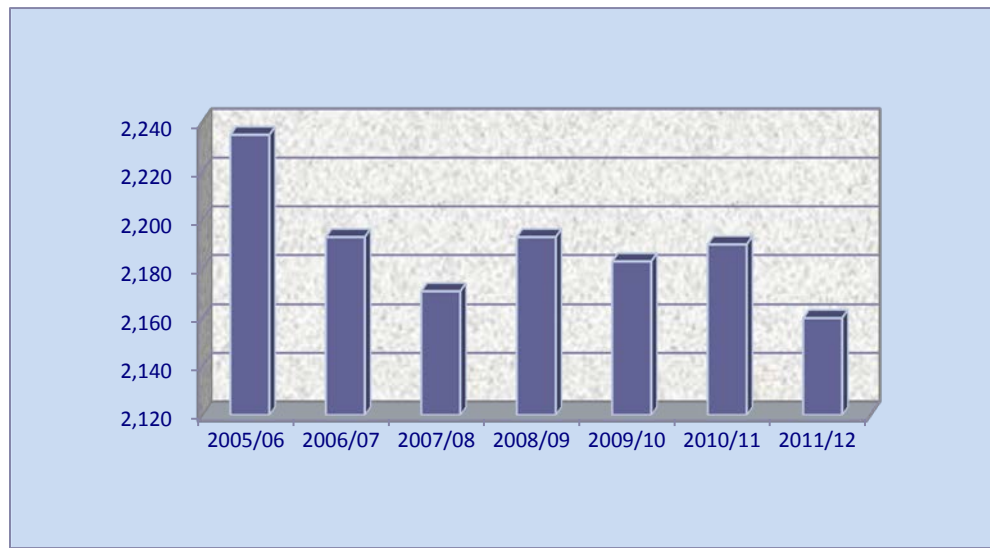
Long-Term Debt

At June 30, 2012, the District had a Special Public Education Capital Outlay Advance Payable of \$499,921.99, representing the amount of Public Education Capital Outlay Special Facilities Allocation expected to be repaid from other District capital outlay sources. During the fiscal year, retirement of the Special Public Education Capital Outlay Advance Payable amounted to \$525,111.57.

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 FEFP 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 from 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, but showed an increase in the 2010-11 fiscal year. The FTE again decreased in the 2011-12 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, 2012

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 6,020,126.63
Investments	90,398.52
Accounts Receivable	1,613.21
Due from Fiscal Agent	2,267,527.37
Due from Other Agencies	281,538.46
Inventories	33,060.08
Capital Assets:	
Nondepreciable Capital Assets	1,486,032.84
Depreciable Capital Assets, Net	<u>33,292,559.91</u>
TOTAL ASSETS	<u>\$ 43,472,857.02</u>
LIABILITIES	
Payroll Deductions and Withholdings	\$ 104,430.35
Accounts Payable	447,664.09
Due to Other Agencies	254,246.52
Deposits Payable	1,387.77
Estimated Insurance Claims Payable	172,359.00
Long-Term Liabilities:	
Portion Due Within One Year	570,856.32
Portion Due After One Year	<u>2,149,896.41</u>
Total Liabilities	<u>3,700,840.46</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	34,278,670.76
Restricted for:	
State Required Carryover Programs	17,593.07
Capital Projects	101,307.78
Food Service	106,768.92
Unrestricted	<u>5,267,676.03</u>
Total Net Assets	<u>39,772,016.56</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,472,857.02</u>

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, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 10,983,056.36	\$ 2,953.39	\$	\$	\$ (10,980,102.97)
Pupil Personnel Services	541,259.15				(541,259.15)
Instructional Media Services	238,908.63				(238,908.63)
Instruction and Curriculum Development Services	678,252.61				(678,252.61)
Instructional Staff Training Services	217,324.25				(217,324.25)
Instruction Related Technology	430,254.82				(430,254.82)
School Board	276,732.71				(276,732.71)
General Administration	290,921.85				(290,921.85)
School Administration	1,164,194.56				(1,164,194.56)
Facilities Acquisition and Construction	819,565.50			147,799.43	(671,766.07)
Fiscal Services	380,885.76				(380,885.76)
Food Services	1,190,114.90	330,574.12	894,487.24		34,946.46
Pupil Transportation Services	1,247,737.60				(1,247,737.60)
Operation of Plant	1,474,673.77				(1,474,673.77)
Maintenance of Plant	321,339.15				(321,339.15)
Administrative Technology Services	16,012.19				(16,012.19)
Community Services	30,000.00				(30,000.00)
Unallocated Interest on Long-Term Debt	43.99				(43.99)
Unallocated Depreciation Expense*	535,429.30				(535,429.30)
Loss on Disposal of Capital Assets	21.01				(21.01)
Total Governmental Activities	\$ 20,836,728.11	\$ 333,527.51	\$ 894,487.24	\$ 147,799.43	(19,460,913.93)
General Revenues:					
Taxes:					
Property Taxes, Levied for Operational Purposes					2,465,388.31
Property Taxes, Levied for Capital Projects					415,493.02
Local Sales Taxes					378,067.91
Grants and Contributions Not Restricted to Specific Programs					14,046,151.01
Unrestricted Investment Earnings					30,989.50
Miscellaneous					563,298.16
Total General Revenues					17,899,387.91
Change in Net Assets					(1,561,526.02)
Net Assets - Beginning					41,333,542.58
Net Assets - Ending					\$ 39,772,016.56

* 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.

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012**

	General Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service - Other Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 3,666,340.48	\$	\$ 254,216.52
Investments	89,194.60		
Accounts Receivable	1,229.97		
Due from Other Funds	183,434.10		
Due from Other Agencies	91,805.11	2,401.97	
Inventories			
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 4,032,004.26</u></u>	<u><u>\$ 2,401.97</u></u>	<u><u>\$ 254,216.52</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll Deductions and Withholdings	\$ 95,762.14	\$	\$
Accounts Payable	154,478.21		
Due to Other Funds		2,401.97	
Due to Other Agencies	30.00		254,216.52
Deposits Payable			
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>250,270.35</u>	<u>2,401.97</u>	<u>254,216.52</u>
Fund Balances:			
Nonspendable:			
Inventory			
Fund B Surplus Funds Trust Fund	89,194.60		
Total Nonspendable Fund Balance	<u>89,194.60</u>		
Restricted for:			
State Required Carryover Programs	17,593.07		
Food Service			
Capital Projects			
Total Restricted Fund Balance	<u>17,593.07</u>		
Assigned For Capital Projects			
Unassigned Fund Balance	<u>3,674,946.24</u>		
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,781,733.91</u>		
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 4,032,004.26</u></u>	<u><u>\$ 2,401.97</u></u>	<u><u>\$ 254,216.52</u></u>

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,906,499.46	\$ 193,070.17	\$ 6,020,126.63
1,203.92		90,398.52
	383.24	1,613.21
		183,434.10
	187,331.38	281,538.46
	33,060.08	33,060.08
<u>\$ 1,907,703.38</u>	<u>\$ 413,844.87</u>	<u>\$ 6,610,171.00</u>
\$	\$ 8,668.21	\$ 104,430.35
	15,883.98	170,362.19
	181,032.13	183,434.10
		254,246.52
	1,387.77	1,387.77
	206,972.09	713,860.93
	33,060.08	33,060.08
1,203.92		90,398.52
<u>1,203.92</u>	<u>33,060.08</u>	<u>123,458.60</u>
		17,593.07
	73,708.84	73,708.84
	100,103.86	100,103.86
	173,812.70	191,405.77
1,906,499.46		1,906,499.46
		3,674,946.24
1,907,703.38	206,872.78	5,896,310.07
<u>\$ 1,907,703.38</u>	<u>\$ 413,844.87</u>	<u>\$ 6,610,171.00</u>

CALHOUN COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total Fund Balances - Governmental Funds	\$ 5,896,310.07
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	34,778,592.75
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Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,817,866.47
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Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:

Special Public Education Capital Outlay (PECO) Advance Payable	\$ 499,921.99	
Compensated Absences Payable	1,150,319.74	
Other Postemployment Benefits Payable	1,070,511.00	
		(2,720,752.73)

Total Net Assets - Governmental Activities	\$ 39,772,016.56
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The accompanying notes to financial statements are an integral part of this statement.

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CALHOUN COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

	General Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service - Other Fund
Revenues			
Intergovernmental:			
Federal Through State and Local	\$ 313,832.37	\$ 72,505.60	\$
State	12,086,157.20		
Local:			
Property Taxes	2,465,388.31		
Local Sales Taxes			
Charges for Services - Food Service			
Miscellaneous	435,587.33		46.30
Total Local Revenues	2,900,975.64		46.30
Total Revenues	15,300,965.21	72,505.60	46.30
Expenditures			
Current - Education:			
Instruction	10,326,479.20	30,341.06	
Pupil Personnel Services	396,765.65		
Instructional Media Services	235,215.28		
Instruction and Curriculum Development Services	345,928.99		
Instructional Staff Training Services	17,160.23	9,458.12	
Instruction Related Technology	409,314.56		
School Board	269,796.36	10,000.00	
General Administration	236,905.06	1,264.78	
School Administration	1,091,624.81	7,962.28	
Facilities Acquisition and Construction	44,231.58		
Fiscal Services	358,848.36		
Food Services			
Pupil Transportation Services	996,888.30		
Operation of Plant	1,401,248.00		
Maintenance of Plant	307,696.42		
Administrative Technology Services	16,012.19		
Community Services			
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	94,633.53	13,479.36	
Debt Service:			
Principal			534,204.16
Interest and Fiscal Charges			
Total Expenditures	16,548,748.52	72,505.60	534,204.16
Excess (Deficiency) of Revenues Over Expenditures	(1,247,783.31)		(534,157.86)
Other Financing Sources (Uses)			
Transfers In	253,855.50		534,157.86
Insurance Loss Recoveries	20,463.86		
Transfers Out			
Total Other Financing Sources (Uses)	274,319.36		534,157.86
Net Change in Fund Balances	(973,463.95)		
Fund Balances, Beginning	4,755,197.86		
Fund Balances, Ending	\$ 3,781,733.91	\$ 0.00	\$ 0.00

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	2,448,570.47	2,834,908.44
	95,276.43	12,252,886.63
	415,493.02	2,880,881.33
378,067.91	330,574.12	378,067.91
	4,616.60	330,574.12
5,273.66	445,523.89	445,523.89
383,341.57	750,683.74	4,035,047.25
454,794.57	3,294,530.64	19,122,842.32
	642,916.65	10,999,736.91
	138,906.90	535,672.55
		235,215.28
	300,893.94	646,822.93
	184,903.95	211,522.30
		409,314.56
		279,796.36
	48,049.27	286,219.11
		1,099,587.09
36,748.41	733,457.43	814,437.42
		358,848.36
	1,180,357.35	1,180,357.35
	93,919.32	1,090,807.62
	51,707.84	1,452,955.84
		307,696.42
		16,012.19
	30,000.00	30,000.00
281,109.35	283,534.67	564,644.02
8,002.50	388,814.04	504,929.43
		534,204.16
	43.99	43.99
325,860.26	4,077,505.35	21,558,823.89
128,934.31	(782,974.71)	(2,435,981.57)
		788,013.36
		20,463.86
(457,764.27)	(330,249.09)	(788,013.36)
(457,764.27)	(330,249.09)	20,463.86
(328,829.96)	(1,113,223.80)	(2,415,517.71)
2,236,533.34	1,320,096.58	8,311,827.78
\$ 1,907,703.38	\$ 206,872.78	\$ 5,896,310.07

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, 2012

Net Change in Fund Balances - Governmental Funds **\$ (2,415,517.71)**

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 fiscal year.	534,926.58
In the governmental funds, the cost of capital 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 these assets upon disposition.	(21.01)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year.	(96,454.88)
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.	(288,370.00)
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.	178,799.43
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which the repayments and the estimated Special PECO Advance Payable reported in the prior year reduced the total required repayment.	

Special PECO Advance Repayment	\$ 534,204.16	
Increase in Special PECO Advance Payable Estimate	(9,092.59)	525,111.57

Change in Net Assets - Governmental Activities **\$ (1,561,526.02)**

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, 2012**

Governmental
Activities -
Internal
Service
Fund

ASSETS

Current Assets:

Due From Fiscal Agent

\$ 2,267,527.37

LIABILITIES

Current Liabilities:

Accounts Payable

\$ 277,301.90

Estimated Insurance Claims Payable

172,359.00

Total Liabilities

449,660.90

NET ASSETS

Unrestricted

1,817,866.47

TOTAL LIABILITIES AND NET ASSETS

\$ 2,267,527.37

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, 2012**

	Governmental Activities - Internal Service Fund
	<u> </u>
OPERATING REVENUES	
Premiums From Board Funds and Participants	\$ 2,246,427.88
	<u> </u>
OPERATING EXPENSES	
Insurance Claims	1,532,742.88
Excess Insurance Premiums	365,706.72
Service Agent Fees	142,185.54
Purchased Services	35,297.34
	<u> </u>
Total Operating Expenses	<u>2,075,932.48</u>
Operating Income	<u>170,495.40</u>
NONOPERATING REVENUES	
Interest Revenue	8,304.03
	<u> </u>
Change in Net Assets	178,799.43
Total Net Assets - Beginning	1,639,067.04
	<u> </u>
Total Net Assets - Ending	<u>\$ 1,817,866.47</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, 2012**

	Governmental Activities - Internal Service Fund
	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Board Funds and Participants	\$ 2,246,427.88
Cash Payments to Vendors for Goods and Services	(545,489.44)
Cash Payments for Insurance Claims	(1,465,742.88)
Cash Operating Expenses	<u>(243,499.59)</u>
Net Cash Used by Operating Activities	<u>(8,304.03)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>8,304.03</u>
Net Increase in Cash and Cash Equivalents	
Cash and Cash Equivalents, Beginning	<u> </u>
Cash and Cash Equivalents, Ending	<u><u>\$ 0.00</u></u>
 Reconciliation of Operating Income to Net Cash Used by Operating Activities:	
Operating Income	\$ 170,495.40
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Due From Fiscal Agent	(299,189.59)
Decrease in Due From Excess Insurer	55,690.00
Decrease in Accounts Payable	(2,299.84)
Increase in Estimated Insurance Claims Payable	<u>67,000.00</u>
Total Adjustments	<u>(178,799.43)</u>
Net Cash Used by Operating Activities	<u><u>\$ (8,304.03)</u></u>

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2012**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 315,198.00
Investments	2,738.00
TOTAL ASSETS	\$ 317,936.00
LIABILITIES	
Internal Accounts Payable	\$ 317,936.00

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 District.

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

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

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

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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 – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA) and other Federal stimulus programs.
- 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 PECO Advance Payable.
- 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 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 GASB. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned 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 the SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.83481105 at June 30, 2012. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

Investments made locally consist of a certificate of deposit reported at fair value, which approximates amortized cost. Types and amounts of investments held at fiscal year-end are described in a subsequent note.

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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 these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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 special allocations in the 2009-10 and 2010-11 fiscal years 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 the equivalent of 1.125 mills each year from the 2009-10 through 2012-13 fiscal years. During the 2011-12 fiscal year, the District levied 1.05 mills and used sales tax revenue to reach the 1.125 mil equivalent. 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 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 2011 tax levy on September 8, 2011. 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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

by the District, except that revenue is accrued for taxes collected by the Calhoun County Tax Collector at fiscal year-end but not yet remitted to the District.

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

Capital Outlay Surtax. In January 2008, the voters of Calhoun County (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

Budgetary Information. 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 Board meeting prior to the due date for the annual financial report.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

3. INVESTMENTS

As of June 30, 2012, the District has the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	38 Day Average	\$ 4,293,556.57
Fund B	5.73 Year Average	90,398.52
Certificate of Deposit	December 2012	2,738.00
Total Investments		<u>\$ 4,386,693.09</u>

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

➤ Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. 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.

Florida PRIME had a weighted average days to maturity (WAM) of 38 days at June 30, 2012. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. At June 30, 2012, based on expected future cash flows, the WAL of Fund B is estimated at 5.73 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

➤ Credit Risk

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

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

The District's investment in a certificate of deposit is in a qualified public depository.

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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	\$ 287,597.85	\$	\$ 1,486,032.84
Construction in Progress	23,562,358.98	118,182.74	23,680,541.72	
Total Capital Assets Not Being Depreciated	24,760,793.97	405,780.59	23,680,541.72	1,486,032.84
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,146,497.20	1,714,074.15		2,860,571.35
Buildings and Fixed Equipment	13,582,411.90	22,101,617.57		35,684,029.47
Furniture, Fixtures, and Equipment	2,409,450.20	286,409.92	105,770.99	2,590,089.13
Motor Vehicles	2,229,898.00	361,279.10	40,186.00	2,550,991.10
Audio Visual Materials and Computer Software	868,343.24	21,942.34		890,285.58
Total Capital Assets Being Depreciated	20,236,600.54	24,485,323.08	145,956.99	44,575,966.63
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	381,829.45	45,553.88		427,383.33
Buildings and Fixed Equipment	6,277,010.74	261,374.85		6,538,385.59
Furniture, Fixtures, and Equipment	1,674,542.96	205,124.26	104,512.73	1,775,154.49
Motor Vehicles	1,592,572.99	140,206.07	40,186.00	1,692,593.06
Audio Visual Materials and Computer Software	827,751.19	23,376.31	1,237.25	849,890.25
Total Accumulated Depreciation	10,753,707.33	675,635.37	145,935.98	11,283,406.72
Total Capital Assets Being Depreciated, Net	9,482,893.21	23,809,687.71	21.01	33,292,559.91
Governmental Activities Capital Assets, Net	\$ 34,243,687.18	\$ 24,215,468.30	\$ 23,680,562.73	\$ 34,778,592.75

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$140,206.07
Unallocated	535,429.30
Total Depreciation Expense - Governmental Activities	<u>\$675,635.37</u>

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

5. SPECIAL PUBLIC EDUCATION CAPITAL OUTLAY ADVANCE PAYABLE

The liability at June 30, 2012, of \$499,921.99 represents the amount of the Special PECO 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.

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 PECO Advance Payable	\$ 1,025,033.56	\$ 9,092.59	\$ 534,204.16	\$ 499,921.99	\$ 499,921.99
Compensated Absences Payable	1,053,864.86	130,791.89	34,337.01	1,150,319.74	70,934.33
Other Postemployment Benefits Payable	782,141.00	578,088.00	289,718.00	1,070,511.00	
Total Governmental Activities	<u>\$ 2,861,039.42</u>	<u>\$ 717,972.48</u>	<u>\$ 858,259.17</u>	<u>\$ 2,720,752.73</u>	<u>\$ 570,856.32</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	\$ 183,434.10	\$
Special Revenue:		
Federal Economic Stimulus		2,401.97
Nonmajor Governmental		<u>181,032.13</u>
Total	<u>\$ 183,434.10</u>	<u>\$ 183,434.10</u>

Interfund receivables and payables are to reimburse the General Fund for temporary advances to cover the cost of Federal grant expenditures paid on behalf of the Special Revenue – Federal Economic Stimulus and other nonmajor governmental funds. These amounts are expected to be repaid within one year.

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 253,855.50	\$
Debt Service:		
Other	534,157.86	
Capital Projects:		
Other		457,764.27
Nonmajor Governmental		330,249.09
Total	<u>\$ 788,013.36</u>	<u>\$ 788,013.36</u>

The principal purposes of the interfund transfers are to provide for the repayment of the Special PECO Facilities allocation and the transfer of local capital improvement money to pay for property casualty insurance.

8. FUND BALANCE REPORTING

The District reports its governmental fund balances in the following categories, as applicable:

➤ **Nonspendable**

The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.

➤ **Restricted**

The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than General Fund as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.

➤ **Committed**

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District did not have any committed fund balances at June 30, 2012.

➤ **Assigned**

The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Director of Finance and not included in other categories.

➤ **Unassigned**

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

9. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue sources for the 2011-12 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 9,148,236.00
Categorical Educational Program - Class Size Reduction	2,253,225.00
School Recognition	152,777.00
Workforce Development Program	144,863.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	75,389.93
Classrooms First Program	71,453.00
Food Service Supplement	18,476.00
Discretionary Lottery Funds	6,514.00
Mobile Home License Tax	4,535.02
Miscellaneous	<u>377,417.68</u>
 Total	 <u><u>\$12,252,886.63</u></u>

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

10. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2011 tax roll for the 2011-12 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.446	\$ 2,208,188.32
Prior Period Funding Adjustment	0.049	19,868.02
Basic Discretionary Local Effort	0.748	303,291.38
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.050	425,743.25
Total	<u>7.293</u>	<u>\$ 2,957,090.97</u>

11. FLORIDA RETIREMENT SYSTEM

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

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

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Elected County Officers	3.00	11.14
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
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 0.03 percent for administrative costs of the Investment Plan.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions including employee contributions for the fiscal year ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$1,149,539.10, \$1,263,681.54, and \$866,765.65, respectively, which were equal to the required contributions for each fiscal year.

There were 22 District participants in the Investment Plan during the 2011-12 fiscal year. The District's contributions including employee contributions to the Investment Plan totaled \$43,572.78, which was equal to the required contribution for the 2011-12 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. 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 (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's self-insured health and hospitalization plan

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District 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, 2012, benefits are being provided to 65 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 OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 65 retirees received other postemployment benefits. The District provided required contributions of \$289,718 toward the annual OPEB cost, net of retiree contributions totaling \$303,166, which represents 4.7 percent of covered payroll.

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Description	Amount
Normal Cost (service cost for one year)	\$ 274,838
Amortization of Unfunded Actuarial Accrued Liability	<u>301,991</u>
Annual Required Contribution	576,829
Interest on Net OPEB Obligation	29,330
Adjustment to Annual Required Contribution	<u>(28,071)</u>
Annual OPEB Cost (Expense)	578,088
Contribution Toward the OPEB Cost	<u>(289,718)</u>
Increase in Net OPEB Obligation	288,370
Net OPEB Obligation, Beginning of Year	<u>782,141</u>
Net OPEB Obligation, End of Year	<u><u>\$ 1,070,511</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2012, and the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<u> </u>	<u> </u>	<u> </u>	<u> </u>
2009-10	\$ 570,639	56.31%	\$ 504,560
2010-11	548,861	49.43%	782,141
2011-12	578,088	50.12%	1,070,511

Funded Status and Funding Progress. As of October 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was \$8,247,396, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$8,247,396 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$6,443,823, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 127.99 percent.

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

The District's OPEB actuarial valuation as of October 1, 2010, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2012, and to estimate the District's 2011-12 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.75 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 8.5 percent beginning October 1, 2010, reduced to an ultimate rate of 5 percent after 9 years. The investment rate of return and payroll growth rate include a general price inflation of 3 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, was 26 years.

13. RISK MANAGEMENT PROGRAMS

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

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

A liability in the amount of \$172,359 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2012, and is net of excess insurance recoverable on unpaid claims.

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

<u>Fiscal Year</u>	<u>Beginning-of- Fiscal-Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2010-11	\$ 112,543.00	\$ 1,484,879.59	\$ (1,492,063.59)	\$ 105,359.00
2011-12	105,359.00	1,532,742.88	(1,465,742.88)	172,359.00

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, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 70,000.00	\$ 70,000.00	\$ 313,832.37	\$ 243,832.37
State	12,321,924.07	12,322,352.07	12,086,157.20	(236,194.87)
Local:				
Property Taxes	2,436,579.00	2,436,579.00	2,465,388.31	28,809.31
Miscellaneous	3,300.00	3,300.00	435,587.33	432,287.33
Total Local Revenues	2,439,879.00	2,439,879.00	2,900,975.64	461,096.64
Total Revenues	14,831,803.07	14,832,231.07	15,300,965.21	468,734.14
Expenditures				
Current - Education:				
Instruction	9,676,200.00	10,360,110.00	10,326,479.20	33,630.80
Pupil Personnel Services	546,000.00	409,200.38	396,765.65	12,434.73
Instructional Media Services	388,000.00	240,809.62	235,215.28	5,594.34
Instruction and Curriculum Development Services	476,800.00	358,630.00	345,928.99	12,701.01
Instructional Staff Training Services	34,750.00	19,090.00	17,160.23	1,929.77
Instruction Related Technology	477,000.00	425,298.00	409,314.56	15,983.44
School Board	364,000.00	277,140.00	269,796.36	7,343.64
General Administration	320,000.00	240,650.00	236,905.06	3,744.94
School Administration	1,087,000.00	1,111,140.00	1,091,624.81	19,515.19
Facilities Acquisition and Construction	86,000.00	46,100.00	44,231.58	1,868.42
Fiscal Services	395,000.00	365,400.00	358,848.36	6,551.64
Central Services	3,000.00	3,000.00		3,000.00
Pupil Transportation Services	1,000,000.00	1,025,350.00	996,888.30	28,461.70
Operation of Plant	1,514,000.00	1,443,060.00	1,401,248.00	41,812.00
Maintenance of Plant	357,000.00	357,000.00	307,696.42	49,303.58
Administrative Technology Services	25,000.00	23,000.00	16,012.19	6,987.81
Community Services	5,000.00	5,000.00		5,000.00
Fixed Capital Outlay:				
Facilities Acquisition and Construction	5,000.00			
Other Capital Outlay	60,100.00	110,300.00	94,633.53	15,666.47
Total Expenditures	16,819,850.00	16,820,278.00	16,548,748.52	271,529.48
Excess (Deficiency) of Revenues Over Expenditures	(1,988,046.93)	(1,988,046.93)	(1,247,783.31)	740,263.62
Other Financing Sources (Uses)				
Transfers In	361,208.00	361,208.00	253,855.50	(107,352.50)
Insurance Loss Recoveries			20,463.86	20,463.86
Transfers Out	(200,000.00)	(200,000.00)		200,000.00
Total Other Financing Sources	161,208.00	161,208.00	274,319.36	113,111.36
Net Change in Fund Balances	(1,826,838.93)	(1,826,838.93)	(973,463.95)	853,374.98
Fund Balances, Beginning	4,755,197.86	4,755,197.86	4,755,197.86	
Fund Balances, Ending	\$ 2,928,358.93	\$ 2,928,358.93	\$ 3,781,733.91	\$ 853,374.98

Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 185,873.75	\$ 221,719.34	\$ 72,505.60	\$ (149,213.74)
185,873.75	221,719.34	72,505.60	(149,213.74)
98,728.05	114,801.04	30,341.06	84,459.98
10.10	10.10		10.10
16,800.00	22,029.53	9,458.12	12,571.41
16,748.97	16,748.97		16,748.97
7,133.00	10,000.00	10,000.00	
	1,616.06	1,264.78	351.28
4,212.28	10,962.28	7,962.28	3,000.00
42,241.35	45,551.36	13,479.36	32,072.00
185,873.75	221,719.34	72,505.60	149,213.74
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

CALHOUN 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) (B)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(1)	(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%
October 1, 2010	0	8,247,396	8,247,396	0.0%	6,443,823	127.99%

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

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, 2012**

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	\$ 78,210.03
National School Lunch Program	10.555	300, 350	213,988.09
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	321	136,967.76
National School Lunch Program	10.555 (2)	300, 350	446,845.36
Total United States Department of Agriculture			876,011.24
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	479,219.35
Special Education - Preschool Grants	84.173	267	29,873.15
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	49.02
Total Special Education Cluster			509,141.52
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	106,967.29
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	627,874.91
Career and Technical Education - Basic Grants to States	84.048	161	61,669.22
Rural Education	84.358	110	50,426.52
Improving Teacher Quality State Grants	84.367	224	107,167.40
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111, RD2	66,206.58
Education Jobs Fund	84.410	541	6,250.00
Total United States Department of Education			1,535,703.44
United States Department of Homeland Security:			
Indirect:			
Florida Department of Education:			
Homeland Security Grant Program	97.004	532	110,004.00
Total Expenditures of Federal Awards			\$ 2,521,718.68

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

(2) Noncash Assistance - National School Lunch Program. Includes \$71,565.93 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
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PHONE: 850-488-5534
FAX: 850-488-6975

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

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

We have audited the financial statements of the governmental activities, 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, 2012, 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 includes 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.

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is 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
January 8, 2013



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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 *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the District's major Federal program for the fiscal year ended June 30, 2012. The District's major Federal program is identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major Federal program is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the fiscal year ended June 30, 2012.

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.

Restricted Purpose Relating to Testing of Internal Control Over Compliance

The purpose of the provisions of this report addressing internal control over compliance is solely to describe the scope of our testing of internal control over compliance with the requirements that could have a direct and material effect on a major Federal program, and the results of that testing, and not to provide an opinion on the effectiveness of internal control over compliance. These provisions of our report are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Circular A-133 in considering the entity's internal control over compliance. Accordingly, these provisions of our report are not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
January 8, 2013

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	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 a material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for major program
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555)
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, 2012**

ADDITIONAL MATTERS

Finding No. 1: 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)4.b., Florida Statutes, provides that, for instructional personnel, the Board must provide differentiated pay based on district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. Such a documented process could specify the factors to be used as the basis for determining differentiated pay, the process for applying the factors, and the individuals responsible for making such determinations.

The 2011-12 fiscal year salary schedule for instructional personnel provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. The instructional personnel salary schedule provided salary supplements for additional responsibilities beyond the standard workday, such as supplements for coaching athletic activities, extra duty supplements, and supervising student clubs. Also, the salary schedule provided differentiated 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 evidence the establishment of specific criteria for determining critical shortage areas. To document this process, records could evidence the number of applicants, personnel turnover rates, and other factors demonstrating the difficulty of hiring and retaining instructional personnel.

District personnel indicated that the District is continuing to work toward developing policies and procedures related to differentiated pay; however, as of November 2012, the policies and procedures were not finalized. Without a Board-established documented process for identifying the basis for differentiated pay, the District may be limited in its ability to demonstrate that the various differentiated pay factors are consistently considered and applied. Similar findings were noted in our report Nos. 2011-048 and 2012-034.

Recommendation: The Board should establish a documented process for ensuring that differentiated pay of instructional personnel is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 2: Contractual Services

The Board routinely enters into contracts for services, and internal controls have been designed and implemented to ensure payments are generally consistent with contract terms and conditions. To determine the propriety of payments for contractual services during the 2011-12 fiscal year, we reviewed District monitoring procedures over six contracts totaling \$213,757 and noted procedures over three contracts could be enhanced, as follows:

- Pursuant to an August 2011 Board-approved contract, a firm was responsible for providing speech and language, occupational, and physical therapy services at one school for \$55 per hour for 196 days and 7.5 hours per day. The contract required the firm to provide instructional therapy services and perform certain administrative duties, such as preparation of student evaluations, periodic progress reports, and Medicaid billings, and the District paid \$79,489 to the firm. The contract also required the therapist to maintain sign-in, sign-out time records and to submit a detailed copy of the therapist's work time generated from the firm's online timekeeping system to support each invoice.

Our test of these services provided in September 2011 and related payment of \$8,662 disclosed that the payment was generally supported by invoices evidencing service dates and hours worked based on a detailed copy of the therapist's work time generated from the firm's online timekeeping system; however, the names of students served were not identified, and the therapist and District did not maintain sign-in, sign-out time records for these services. District personnel indicated that their review of student records and correspondence and attendance at meetings assured the District appropriate receipt of these services. While these procedures provided District personnel some assurance that therapy services were received, without records to confirm receipt of services, there is an increased risk of overpayments for these services.

- Pursuant to a July 2011 Board-approved contract, a firm was responsible for providing educational services for visually-impaired students at three schools for \$60 per hour not to exceed 11 hours per week. The contract stipulated that services included planning, instruction, travel, and coordination with staff, and the District would make payments after receipt of the monthly billings. The District made payments totaling \$21,825 for these services, and District personnel maintained sign-in, sign-out time records for services performed at the three schools.

Our test of these services provided in September 2011 and related payment of \$2,850 disclosed that the payment was generally supported by invoices identifying students served, service dates and locations, and hours worked; however, District records did not evidence that personnel with direct knowledge confirmed receipt of the services and District personnel did not reconcile the hours worked documented on the sign-in, sign-out time records to invoices and related payments. Our review disclosed that the September 2011 invoice indicated that the firm provided 47.5 total hours worked, or 4 more work hours than the hours documented on the sign-in, sign-out time records. Subsequent to our inquiries, District personnel provided detailed student activity logs from the firm; however, the invoice evidenced that the firm provided 6.5 more hours worked than supported by the student activity logs.

- Section 112.313(3), Florida Statutes, and Board policy prohibits a public officer from purchasing any goods or services for her own agency from any business entity in which the officer's spouse has a material interest. Contrary to statute and Board policy, the District contracted with the spouse of a Board member for information technology (IT) services at \$18 per hour and the District made payments totaling \$13,477 for the services provided from August 2011 to February 2012. Although invoices indicated that the services mainly consisted of computer software installation and configuration, District records did not evidence District personnel with direct knowledge confirmed receipt of the services.

District personnel indicated that these IT services were acquired because staffing levels were insufficient to upgrade new computers and it was difficult to locate qualified workers to perform these services. Section 112.313(12), Florida Statutes, provides that certain transactions are exempt from the requirements of Section 112.313(3), Florida Statutes; however, District personnel could not provide evidence that the expenditures discussed above were allowable pursuant to Section 112.313, Florida Statutes.

District personnel indicated that the above deficiencies occurred because of oversights, and that effective controls over contractual services would be established in the future. Without effective procedures to reconcile payments to contract terms and conditions and confirm that services are received prior to payment, there is an increased risk of overpayments or that errors or fraud could occur without timely detection.

Recommendation: The District should enhance its monitoring procedures to ensure compliance with contract terms and conditions and confirm that services are appropriately received prior to payment. Also, the District should seek recovery of any overpayments, as appropriate. In addition, the District should enhance controls to ensure compliance with the provisions of Board policy and Section 112.313(3), Florida Statutes, governing doing business with one's agency.

Finding No. 3: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education and proviso language in Chapter 2011-69, Laws of Florida, Specific Appropriation 96, required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with Florida Department of Education (FDOE) instructional hours reporting procedures.

The FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. The FDOE procedures also provided that school districts develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date shall be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance. Instructional contact hours for online classes and on-campus labs must be within the constraints of reasonable attendance hours, which should be the number of hours they are reasonably expected to attend.

For the 2011-12 fiscal year, the District reported to the FDOE 6,408 adult general education instructional contact hours for 35 students enrolled in 178 classes. To determine the propriety of hours reported, we tested 1,810 hours reported for 9 students enrolled in 45 classes and noted that the District overreported 238 hours for 4 students in 19 classes and underreported 544 hours for 5 students in 26 classes. These misreported hours occurred primarily because District personnel used incorrect student withdrawal dates and had not established course schedules and class meeting lengths in the student records system consistent with the programs actually offered. In an attempt to correct student attendance hours reported, District personnel made erroneous manual adjustments to the student records system based on estimated instead of actual attendance. As a result, it was not practical to quantify the number of misreported hours because it was not readily apparent that the estimated and actual hours of student attendance agreed.

Since future funding may be based, in part, on enrollment data submitted to the FDOE, it is important that such data be submitted correctly.

Recommendation: The District should enhance its controls over the reporting of instructional contact hours for adult general education classes to the FDOE. Further, the District should determine the extent of adult general hours misreported and contact the FDOE for proper resolution.

Finding No. 4: Information Technology – Access Controls

Access controls are intended to protect data and IT resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside of their areas of responsibility. Periodically reviewing IT access privileges assigned to employees promotes good internal control and is necessary to ensure that employees cannot access IT resources inconsistent with their job responsibilities.

Our review of selected access privileges defined within the District's security software indicated that eight user login identifiers (profiles) were either unused or reassigned to other employees. Specifically, three employees' existing profiles remained active following issuance of new profiles and five profiles were used by employees other than those originally assigned the profile. For example, one employee that changed positions from a school data entry clerk to a fiscal assistant in the finance office had two profiles assigned. While the employee used one of the profiles, the other profile was reassigned to another employee. Although District personnel indicated that the profile was reassigned and the associated password was changed, the security administrator did not update the assignment in the District's security software resulting in the current security report not listing the actual employee assigned to and using the profile.

In response to our inquiries in July 2012, District staff removed the three unused profiles and reassigned the five profiles in the District's security software. The existence of the inappropriate access privileges noted above indicated a need for the District to review employee access privileges. The absence of periodic reviews of user profiles increases the risk of improper access assignment and lack of user accountability.

Recommendation: The District should periodically review user profiles to ensure that the profiles are necessary for ongoing operations and reflect employees' position assignments.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no 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. 2012-034, except that current Finding No. 1 was also noted as Finding No. 2 in our report Nos. 2011-048 and 2012-034.

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, 2012*

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
2012-034		There were no prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE

BOARD MEETS SECOND THURSDAY
OF EACH MONTH
PHONE 674-5927

CALHOUN COUNTY SCHOOL BOARD

RALPH YODER, Superintendent
20859 Central Avenue E., RM-G20
BLOUNTSTOWN, FLORIDA 32424

December 3, 2012

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, 2012.

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: Compensation and Salary Schedules

The Board will adopt formal policies and procedures to establish a differentiated pay schedule for instructional personnel consistent with Section 1012.22(1)(c)4.b., Florida Statutes. The instructional personnel pay schedule presently addresses additional responsibilities, level of job performance difficulties and level of educational degree. Specific criteria for determining critical shortage areas will be developed and approved by May 2013 and will be included in the 2013-2014 salary schedule.

"An Equal Opportunity Employer"

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 2: Contractual Services

The District has enhanced its monitoring procedures of all contracts to ensure compliance with the terms and conditions of the contract and to verify that services are appropriately received prior to payment.

Sign-in and sign-out time records are verified daily by the school where the service is taking place. District personnel reconcile the time records to the invoice ensuring services match payment.

The Finance Officer or Assistant Superintendent will review each contract before it is presented to the Board for approval to ensure compliance with the provisions of Board Policy and Section 112.313(3), Florida Statutes, governing doing business with one's agency.

Finding No. 3: Adult General Education Classes

The District has improved its controls over the reporting of instructional contract hours for adult general education classes. The Student Records Assistant and Adult School Lead Teacher are working together to establish correct class schedules and meeting times. They are meeting at least once a month to determine actual attendance to prevent future misreported hours.

Finding No. 4: Information Technology-Access Controls

The District will periodically, once a month, review access privileges assigned to employees. Also, these access rights will be reviewed when there are changes in employment that affect security profiles.

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,



Ralph Yoder, Superintendent
Calhoun County School District

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