

**CALHOUN COUNTY  
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended  
June 30, 2013



## BOARD MEMBERS AND SUPERINTENDENTS

Board members and the Superintendents who served during the 2012-13 fiscal year are listed below:

	<u>District No.</u>
Danny Ryals, Vice Chair from 11-20-12	1
Kelly E. King	2
Timothy G. Smith, Chair to 11-19-12	3
Kenneth F. Speights, Vice Chair to 11-19-12, Chair from 11-20-12	4
Danny M. Hassig	5
Wilson T. McClellan, Superintendent to 11-19-12	
Ralph Yoder, Superintendent from 11-20-12	

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 Meghan M. Holley, and the audit was supervised by Patricia S. Crutchfield, CPA, CFE. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Director, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 412-2863.

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**CALHOUN COUNTY DISTRICT SCHOOL BOARD  
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## EXECUTIVE SUMMARY

### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. The result 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: Financial reporting procedures could be improved to ensure that account balances and transactions are properly reported.

Finding No. 2: 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. 3: Controls over contractual payment processing needed to be enhanced.

Finding No. 4: Controls over facilities construction and maintenance activities could be enhanced.

Finding No. 5: The District should enhance its procedures to ensure that minutes of Board meetings are timely approved.

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster and Race-to-the-Top programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs, except for the Special Education Cluster Programs. A noncompliance and control deficiency finding is summarized below.

Federal Awards Finding No. 1: The District records did not evidence that the District met the maintenance of effort requirement for the Special Education Cluster Programs, resulting in \$150,060 of questioned costs.

### Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2013-077.

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, 2013. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

#### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 12 percent of the assets and 53 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 solely 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments,

the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, based on our audit and the 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Supplementary Information*

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA

Tallahassee, Florida

January 28, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Calhoun County District School Board has prepared the following discussion and analysis to provide an overview and analysis of the District's financial activities for the fiscal year ended June 30, 2013. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012-13 fiscal year are as follows:

- The District's total net position decreased by \$1,521,555.96, or 3.8 percent.
- General revenues total \$17,699,704.20, or 91.3 percent of all revenues in the 2012-13 fiscal year, compared to \$17,899,387.91, or 92.9 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 total \$1,684,625.59, or 8.7 percent, compared to \$1,375,814.18, or 7.1 percent, in the prior fiscal year.
- During the current fiscal year, General Fund expenditures exceeded revenues by \$1,114,024.29. This may be compared to last fiscal year's results in which General Fund expenditures exceeded revenues by \$1,247,783.31.
- General Fund State funding, which consists primarily of the Florida Education Finance Program and categorical and other earmarked educational program revenues, increased \$153,753.84 over the 2011-12 fiscal year.
- The District's student enrollment increased by 36 students, or 1.7 percent over the prior school year.

### OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to financial statements.

In addition to the basic financial statements, this report represents 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 position 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 position provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

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 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.

## 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, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Other Fund, Special Revenue – Federal Economic Stimulus Fund, 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 required supplementary information concerning the District’s progress in funding its obligation to provide other postemployment benefits to its employees. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position over time may serve as a useful indicator of a government’s financial health. The following is a summary of the District’s net position as of June 30, 2013, compared to net position as of June 30, 2012:

	<b>Net Position, End of Year</b>	
	Governmental	
	Activities	
	6-30-13	6-30-12
Current and Other Assets	\$ 7,994,436.40	\$ 8,694,264.27
Capital Assets	33,558,255.54	34,778,592.75
<b>Total Assets</b>	<b>41,552,691.94</b>	<b>43,472,857.02</b>
Long-Term Liabilities	2,409,644.14	2,720,752.73
Other Liabilities	892,587.20	980,087.73
<b>Total Liabilities</b>	<b>3,302,231.34</b>	<b>3,700,840.46</b>
Net Position:		
Net Investment in Capital Assets	33,558,255.54	34,278,670.76
Restricted	334,690.42	225,669.77
Unrestricted	4,357,514.64	5,267,676.03
<b>Total Net Position</b>	<b>\$ 38,250,460.60</b>	<b>\$ 39,772,016.56</b>

The largest portion of the District’s net position (87.7 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. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District’s net position (0.9 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (11.4 percent) may be used to meet the government’s ongoing obligations to students, employees, and creditors.

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

The key elements of the changes in the District’s net position for the fiscal years ended June 30, 2013, and June 30, 2012, are as follows:

	<b>Operating Results for the Fiscal Year Ended</b>	
	Governmental Activities	
	6-30-13	6-30-12
<b>Program Revenues:</b>		
Charges for Services	\$ 304,354.77	\$ 333,527.51
Operating Grants and Contributions	940,772.78	894,487.24
Capital Grants and Contributions	439,498.04	147,799.43
<b>General Revenues:</b>		
Property Taxes, Levied for Operational Purposes	2,626,287.86	2,465,388.31
Property Taxes, Levied for Capital Projects	445,923.37	415,493.02
Local Sales Taxes	378,628.15	378,067.91
Grants and Contributions Not Restricted to Specific Programs	13,937,022.97	14,046,151.01
Unrestricted Investment Earnings	14,561.36	30,989.50
Miscellaneous	297,280.49	563,298.16
<b>Total Revenues</b>	<b>19,384,329.79</b>	<b>19,275,202.09</b>
<b>Functions/Program Expenses:</b>		
Instruction	10,570,007.74	10,983,056.36
Pupil Personnel Services	636,841.43	541,259.15
Instructional Media Services	257,508.47	238,908.63
Instruction and Curriculum Development Services	642,555.40	678,252.61
Instructional Staff Training Services	240,287.54	217,324.25
Instruction Related Technology	441,405.61	430,254.82
School Board	292,981.43	276,732.71
General Administration	280,657.02	290,921.85
School Administration	1,214,912.69	1,164,194.56
Facilities Acquisition and Construction	226,037.18	819,565.50
Fiscal Services	394,540.90	380,885.76
Food Services	1,221,263.93	1,190,114.90
Pupil Transportation Services	1,120,640.09	1,247,737.60
Operation of Plant	1,410,529.55	1,474,673.77
Maintenance of Plant	350,203.69	321,339.15
Administrative Technology Services	14,692.92	16,012.19
Community Services	35,800.00	30,000.00
Unallocated Interest on Long-Term Debt	36.64	43.99
Unallocated Depreciation Expense	1,528,863.16	535,429.30
Loss on Disposal of Capital Assets	26,120.36	21.01
<b>Total Functions/Program Expenses</b>	<b>20,905,885.75</b>	<b>20,836,728.11</b>
<b>Change in Net Position</b>	<b>(1,521,555.96)</b>	<b>(1,561,526.02)</b>
<b>Net Position - Beginning</b>	<b>39,772,016.56</b>	<b>41,333,542.58</b>
<b>Net Postion - Ending</b>	<b>\$ 38,250,460.60</b>	<b>\$ 39,772,016.56</b>

The largest revenue source is the State of Florida (65.7 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Capital grants and contributions increased by \$291,698.61, or 197.4 percent, primarily due to the receipt of a nonrecurring Special Facilities allocation for renovations for Carr School.

Instruction expenses represent 50.6 percent of total governmental expenses in the 2012-13 fiscal year. Instruction expenses decreased by \$413,048.62, or 3.8 percent, primarily as a result of a decrease in capital outlay purchases.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds decreased by \$873,174.59 during the fiscal year to \$5,023,135.48 at June 30, 2013. Approximately 57.5 percent of this amount is unassigned fund balance (\$2,890,328.42), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form (\$36,199.85), 2) restricted for particular purposes (\$298,490.57), or 3) assigned for particular purposes (\$1,798,116.64).

### Major Governmental Funds

**General Fund:** The fund balance of the General fund decreased by \$874,767.33 during the current fiscal year. With the reduction in Federal economic stimulus programs, the District has used the General Fund for certain expenditures. General Fund revenue experienced a significant decline in the 2011-12 fiscal year in the amount of 656,472.12, with no significant change in the 2012-13 fiscal year. Therefore, to maintain the same educational service levels, the District used some of its unassigned fund balance for the past few years. The following graph shows total fund balances of the General Fund from the 2006-07 to 2012-13 fiscal years.



**Special Revenue – Other Fund:** The Special Revenue – Other Fund has total revenues and expenditures of \$1,278,770.05 each. This fund is used to account for certain Federal grant 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.

**Special Revenue – Federal Economic Stimulus Fund:** The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of \$97,708.39 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 general 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, 2013.

**Capital Projects – Other Fund:** The Capital Projects – Other Fund has a total fund balance of \$1,946,661.52 at June 30, 2013. This fund balance consisted of \$46,780.51 in the Sales Tax Fund, \$101,764.37 in the Classrooms First Fund, and \$1,798,116.64 in the Department of Environmental Protection Settlement Fund. The fund balance increased by \$38,958.14 due to Classrooms First funding.

**Property/Casualty Insurance Premiums**

After decreases in property/casualty insurance premiums for the 2008-09 and 2009-10 fiscal years, the District experienced increases in the property/casualty premiums for the past three fiscal years. The following graph depicts insurance premiums from the 2006-07 to 2012-13 fiscal years.



**Proprietary Funds**

In the current fiscal year, revenues exceeded expenses, resulting in an increase in net position of \$260,847.25, and a net position balance of \$2,078,713.72 at June 30, 2013. This can be compared to the previous fiscal year in which revenues exceeded expenses by \$178,799.43. The net position 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. Final budgeted revenues and expenditures were in line with original budget amounts.

Actual expenditures and other financing uses were \$958,835.17 less than the final budgeted amounts. Positive budget variances occurred in all functions. The ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$1,002,928.03.

**CAPITAL ASSETS AND LONG-TERM DEBT**

**Capital Assets**

The District’s investment in capital assets for its governmental activities as of June 30, 2013, is \$33,558,255.54 (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.

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

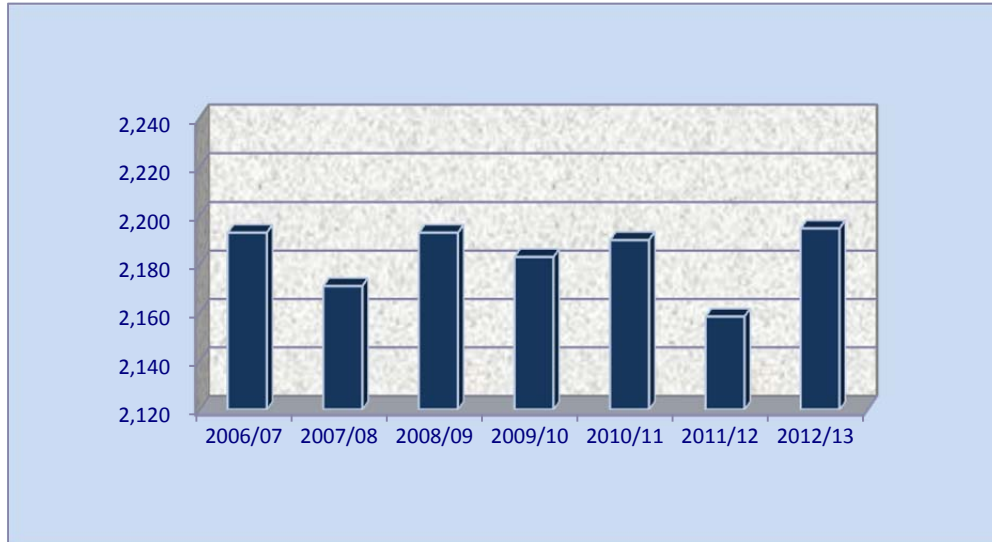
**Long-Term Debt**

During the 2012-13 fiscal year, retirement of the Special Public Education Capital Outlay advance payable was \$499,921.99.

Information on the District’s long-term debt can be found in note II.G 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, the FTE fluctuated over the past seven fiscal years.



**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 POSITION  
June 30, 2013**

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 5,168,066.50
Investments	51,513.82
Accounts Receivable	55,951.00
Due from Fiscal Agent	2,329,770.41
Due from Other Agencies	352,934.82
Inventories	36,199.85
Capital Assets:	
Nondepreciable Capital Assets	1,486,032.84
Depreciable Capital Assets, Net	32,072,222.70
	41,552,691.94
<b>TOTAL ASSETS</b>	<b>41,552,691.94</b>
<b>LIABILITIES</b>	
Payroll Deductions and Withholdings	105,597.27
Accounts Payable	369,529.14
Due to Other Agencies	314,022.99
Deposits Payable	3,903.80
Estimated Insurance Claims Payable	99,534.00
Long-Term Liabilities:	
Portion Due Within One Year	75,829.98
Portion Due After One Year	2,333,814.16
	3,302,231.34
<b>TOTAL LIABILITIES</b>	<b>3,302,231.34</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	33,558,255.54
Restricted for:	
State Required Carryover Programs	16,638.16
Capital Projects	192,217.66
Food Service	125,834.60
Unrestricted	4,357,514.64
	38,250,460.60
<b>TOTAL NET POSITION</b>	<b>\$ 38,250,460.60</b>

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, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 10,570,007.74	\$ 3,842.00	\$	\$	\$ (10,566,165.74)
Pupil Personnel Services	636,841.43				(636,841.43)
Instructional Media Services	257,508.47				(257,508.47)
Instruction and Curriculum Development Services	642,555.40				(642,555.40)
Instructional Staff Training Services	240,287.54				(240,287.54)
Instruction Related Technology	441,405.61				(441,405.61)
School Board	292,981.43				(292,981.43)
General Administration	280,657.02				(280,657.02)
School Administration	1,214,912.69				(1,214,912.69)
Facilities Acquisition and Construction	226,037.18			439,498.04	213,460.86
Fiscal Services	394,540.90				(394,540.90)
Food Services	1,221,263.93	300,512.77	940,772.78		20,021.62
Pupil Transportation Services	1,120,640.09				(1,120,640.09)
Operation of Plant	1,410,529.55				(1,410,529.55)
Maintenance of Plant	350,203.69				(350,203.69)
Administrative Technology Services	14,692.92				(14,692.92)
Community Services	35,800.00				(35,800.00)
Unallocated Interest on Long-Term Debt	36.64				(36.64)
Unallocated Depreciation Expense*	1,528,863.16				(1,528,863.16)
Loss on Disposal of Assets	26,120.36				(26,120.36)
<b>Total Governmental Activities</b>	<b>\$ 20,905,885.75</b>	<b>\$ 304,354.77</b>	<b>\$ 940,772.78</b>	<b>\$ 439,498.04</b>	<b>(19,221,260.16)</b>
General Revenues:					
Taxes:					
					2,626,287.86
					445,923.37
					378,628.15
					13,937,022.97
					14,561.36
					297,280.49
<b>Total General Revenues</b>					<b>17,699,704.20</b>
<b>Change in Net Position</b>					<b>(1,521,555.96)</b>
Net Position - Beginning					39,772,016.56
<b>Net Position - Ending</b>					<b>\$ 38,250,460.60</b>

\* 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, 2013**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2,777,719.50	\$ 12,094.46	\$
Investments	50,827.78		
Accounts Receivable	55,951.00		
Due from Other Funds	112,259.84		
Due from Other Agencies	163,490.20	95,035.18	17,224.66
Inventories			
<b>TOTAL ASSETS</b>	<b>\$ 3,160,248.32</b>	<b>\$ 107,129.64</b>	<b>\$ 17,224.66</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payroll Deductions and Withholdings	\$ 98,571.29	\$ 4,124.96	\$
Accounts Payable	154,080.45	7,969.50	
Due to Other Funds		95,035.18	17,224.66
Due to Other Agencies	630.00		
Deposits Payable			
<b>Total Liabilities</b>	<b>253,281.74</b>	<b>107,129.64</b>	<b>17,224.66</b>
Fund Balances:			
Nonspendable:			
Inventories			
Restricted for:			
State Required Carryover Programs	16,638.16		
Capital Projects			
Food Service			
Total Restricted Fund Balance	16,638.16		
Assigned for Capital Projects			
Unassigned Fund Balance	2,890,328.42		
<b>Total Fund Balances</b>	<b>2,906,966.58</b>		
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,160,248.32</b>	<b>\$ 107,129.64</b>	<b>\$ 17,224.66</b>

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

Debt Service - Other Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 313,392.99	\$ 1,874,522.48 686.04	\$ 190,337.07	\$ 5,168,066.50 51,513.82 55,951.00 112,259.84 352,934.82 36,199.85
<u>\$ 313,392.99</u>	<u>\$ 1,946,661.52</u>	<u>\$ 232,268.70</u>	<u>\$ 5,776,925.83</u>
\$	\$	\$ 2,901.02 55,956.50	\$ 105,597.27 218,006.45 112,259.84 314,022.99 3,903.80
313,392.99		3,903.80	3,903.80
<u>313,392.99</u>		<u>62,761.32</u>	<u>753,790.35</u>
		<u>36,199.85</u>	<u>36,199.85</u>
	148,544.88	43,672.78 89,634.75	16,638.16 192,217.66 89,634.75
	<u>148,544.88</u>	<u>133,307.53</u>	<u>298,490.57</u>
	<u>1,798,116.64</u>		<u>1,798,116.64</u>
			<u>2,890,328.42</u>
	<u>1,946,661.52</u>	<u>169,507.38</u>	<u>5,023,135.48</u>
<u>\$ 313,392.99</u>	<u>\$ 1,946,661.52</u>	<u>\$ 232,268.70</u>	<u>\$ 5,776,925.83</u>

**CALHOUN COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

<b>Total Fund Balances - Governmental Funds</b>		\$ 5,023,135.48
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		33,558,255.54
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 position.		2,078,713.72
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:		
Compensated Absences Payable	\$ 1,114,304.14	
Other Postemployment Benefits Payable	1,295,340.00	(2,409,644.14)
		(1,285,339.96)
<b>Net Position - Governmental Activities</b>		<b>\$ 38,250,460.60</b>

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, 2013**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Through State and Local State	\$ 299,190.83 12,239,911.04	\$ 1,278,770.05	\$ 97,708.39
Local:			
Property Taxes	2,626,287.86		
Local Sales Taxes			
Charges for Services - Food Service			
Miscellaneous	281,330.72		
Total Local Revenues	<u>2,907,618.58</u>		
<b>Total Revenues</b>	<u>15,446,720.45</u>	<u>1,278,770.05</u>	<u>97,708.39</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	10,250,775.01	505,423.38	31,461.41
Pupil Personnel Services	499,781.85	130,278.87	
Instructional Media Services	255,667.88		
Instruction and Curriculum Development Services	324,634.43	293,163.94	345.34
Instructional Staff Training Services	15,203.40	214,483.28	5,243.49
Instruction Related Technology	406,122.72		16,055.70
School Board	295,264.22		2,153.60
General Administration	237,277.62	42,456.58	1,303.17
School Administration	1,163,190.55	845.12	8,617.69
Facilities Acquisition and Construction	44,400.00		
Fiscal Services	377,106.82		
Food Services	481.10		
Pupil Transportation Services	932,945.93	34,045.88	
Operation of Plant	1,397,952.54		
Maintenance of Plant	339,148.16		
Administrative Technology Services	14,692.92		
Community Services		35,800.00	
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	6,099.59	22,273.00	32,527.99
Debt Service:			
Principal			
Interest and Fiscal Charges			
<b>Total Expenditures</b>	<u>16,560,744.74</u>	<u>1,278,770.05</u>	<u>97,708.39</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,114,024.29)</u>		
<b>Other Financing Sources (Uses)</b>			
Transfers In	223,643.00		
Insurance Loss Recoveries	15,613.96		
Transfers Out			
<b>Total Other Financing Sources (Uses)</b>	<u>239,256.96</u>		
<b>Net Change in Fund Balances</b>	(874,767.33)		
Fund Balances, Beginning	3,781,733.91		
<b>Fund Balances, Ending</b>	<u>\$ 2,906,966.58</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Debt Service - Other Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
	371,453.00	922,198.78 86,619.04	2,597,868.05 12,697,983.08
		445,923.37	3,072,211.23
	378,628.15	300,512.77	378,628.15
		2,955.16	300,512.77
71.51	10,361.47	2,955.16	294,718.86
<u>71.51</u>	<u>388,989.62</u>	<u>749,391.30</u>	<u>4,046,071.01</u>
71.51	760,442.62	1,758,209.12	19,341,922.14
			10,787,659.80
			630,060.72
			255,667.88
			618,143.71
			234,930.17
			422,178.42
			297,417.82
			281,037.37
			1,172,653.36
	42,764.88	137,934.30	225,099.18
		1,217,590.48	377,106.82
			1,218,071.58
			966,991.81
			1,397,952.54
			339,148.16
			14,692.92
			35,800.00
	299,910.05	88,961.21	388,871.26
		22,110.47	83,011.05
499,257.48			499,257.48
		36.64	36.64
<u>499,257.48</u>	<u>342,674.93</u>	<u>1,466,633.10</u>	<u>20,245,788.69</u>
<u>(499,185.97)</u>	<u>417,767.69</u>	<u>291,576.02</u>	<u>(903,866.55)</u>
499,185.97			722,828.97
		15,078.00	30,691.96
	(378,809.55)	(344,019.42)	(722,828.97)
<u>499,185.97</u>	<u>(378,809.55)</u>	<u>(328,941.42)</u>	<u>30,691.96</u>
	38,958.14	(37,365.40)	(873,174.59)
	1,907,703.38	206,872.78	5,896,310.07
<u>\$ 0.00</u>	<u>\$ 1,946,661.52</u>	<u>\$ 169,507.38</u>	<u>\$ 5,023,135.48</u>

**CALHOUN COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2013**

**Net Change in Fund Balances - Governmental Funds** \$ (873,174.59)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (1,194,216.85)

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets. (26,120.36)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year. 36,015.60

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. (224,829.00)

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. 260,847.25

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of the Special Public Education Capital Outlay advance payable repayment for the current fiscal year. 499,921.99

**Change in Net Position - Governmental Activities** \$ (1,521,555.96)

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

**CALHOUN COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET POSITION -  
PROPRIETARY FUND  
June 30, 2013**

	Governmental Activities - Internal Service Fund
<b>ASSETS</b>	
Current Assets:	
Due from Fiscal Agent	\$ 2,329,770.41
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 151,522.69
Estimated Insurance Claims Payable	99,534.00
<b>Total Liabilities</b>	<b>251,056.69</b>
<b>NET POSITION</b>	
Unrestricted	2,078,713.72
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 2,329,770.41</b>

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 POSITION -  
PROPRIETARY FUND  
For the Fiscal Year Ended June 30, 2013**

	Governmental Activities - Internal Service Fund
<b>OPERATING REVENUES</b>	
Premium Revenues	\$ 2,243,452.22
Participant Dividend Income	12,753.10
	2,256,205.32
<b>Total Operating Revenues</b>	
<b>OPERATING EXPENSES</b>	
Insurance Claims	1,442,639.87
Excess Insurance Premiums	395,282.31
Service Agent Fees	138,814.86
Purchased Services	23,312.47
	2,000,049.51
<b>Total Operating Expenses</b>	
<b>Operating Income</b>	256,155.81
<b>NONOPERATING REVENUES</b>	
Interest Revenue	4,691.44
	260,847.25
<b>Change in Net Position</b>	
Total Net Position - Beginning	1,817,866.47
	\$ 2,078,713.72

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, 2013**

	Governmental Activities - Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Board Funds and Participants	\$ 2,243,452.22
Cash Payments to Suppliers for Goods and Services	(683,188.85)
Cash Payments for Insurance Claims	(1,515,464.87)
Cash Received for Participant Dividends	12,753.10
Cash Payment for Other Operating Activities	(62,243.04)
	(4,691.44)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	4,691.44
	4,691.44
<b>Net Increase in Cash and Cash Equivalents</b>	
Cash and Cash Equivalents, Beginning	0.00
<b>Cash and Cash Equivalents, Ending</b>	\$ 0.00
 <b>Reconciliation of Operating Income to Net Cash Used by Operating Activities:</b>	
Operating Income	\$ 256,155.81
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Depreciation	
Changes in Assets and Liabilities:	
Increase in Due from Fiscal Agent	(62,243.04)
Decrease in Accounts Payable	(125,779.21)
Decrease in Estimated Insurance Claims Payable	(72,825.00)
	(260,847.25)
<b>Total Adjustments</b>	(260,847.25)
<b>Net Cash Used by Operating Activities</b>	\$ (4,691.44)

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, 2013**

		Agency Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$	355,264.00
Investments		2,744.00
		358,008.00
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>358,008.00</b>
<b>LIABILITIES</b>		
Accounts Payable	\$	13,986.00
Internal Accounts Payable		344,022.00
		358,008.00
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b>358,008.00</b>

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

**CALHOUN COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

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.

**B. 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, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of 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 legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading. Based on these criteria, no component units are included within the District's reporting entity.

**C. Basis of Presentation: Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

**CALHOUN COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**D. Basis of Presentation: Fund Financial Statements**

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Debt Service – Other Fund – to account for the accumulation of resources for the payment of, debt principal, interest, and related costs for the Special Public Education Capital Outlay 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 new construction, 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.

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

**E. Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current

**CALHOUN COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

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

**1. Cash and Cash Equivalents**

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

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

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**2. Investments**

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. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.11845939 at June 30, 2013. 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.

**3. 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.

**4. Capital Assets**

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

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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.

**5. Long-Term Liabilities**

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

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

**6. Net Position Flow Assumption**

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

**7. Fund Balance Flow Assumptions**

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

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**8. Fund Balance Policies**

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

The committed fund balance classification may include amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balance at June 30, 2013.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has by resolution authorized the finance director to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

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

**2. State Revenue Sources**

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

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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.

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 2012-13 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.

**3. District Property Taxes**

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

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

The Board adopted the 2012 tax levy on September 13, 2012. 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.

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

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

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

**4. 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.

**5. 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.

**6. Compensated Absences**

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

**7. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service funds 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.

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**II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Cash Deposits with Financial Institutions**

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

**B. Investments**

As of June 30, 2013, the District has the following investments and maturities:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	40 Day Average	\$ 4,361,204.34
Fund B	3.98 Year Average	51,513.82
Certificate of Deposit	December 2013	2,744.00
		<u>2,744.00</u>
Total Investments		<u>\$ 4,415,462.16</u>

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

➤ Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 40 days at June 30, 2013. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2013, is estimated at 3.98 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

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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.

**C. Changes in Capital Assets**

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,486,032.84	\$	\$	\$ 1,486,032.84
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	2,860,571.35			2,860,571.35
Buildings and Fixed Equipment	35,684,029.47	378,252.81		36,062,282.28
Furniture, Fixtures, and Equipment	2,590,089.13	67,652.69	197,462.01	2,460,279.81
Motor Vehicles	2,550,991.10	4,500.00	99,667.00	2,455,824.10
Audio Visual Materials and Computer Software	890,285.58	32,527.99		922,813.57
<b>Total Capital Assets Being Depreciated</b>	<b>44,575,966.63</b>	<b>482,933.49</b>	<b>297,129.01</b>	<b>44,761,771.11</b>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	427,383.33	182,959.83		610,343.16
Buildings and Fixed Equipment	6,538,385.59	1,117,570.15		7,655,955.74
Furniture, Fixtures, and Equipment	1,775,154.49	206,589.60	171,341.65	1,810,402.44
Motor Vehicles	1,692,593.06	148,287.18	99,667.00	1,741,213.24
Audio Visual Materials and Computer Software	849,890.25	21,743.58		871,633.83
<b>Total Accumulated Depreciation</b>	<b>11,283,406.72</b>	<b>1,677,150.34</b>	<b>271,008.65</b>	<b>12,689,548.41</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>33,292,559.91</b>	<b>(1,194,216.85)</b>	<b>26,120.36</b>	<b>32,072,222.70</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 34,778,592.75</b>	<b>\$ (1,194,216.85)</b>	<b>\$ 26,120.36</b>	<b>\$ 33,558,255.54</b>

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Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 148,287.18
Unallocated	1,528,863.16
Total Depreciation Expense - Governmental Activities	\$ 1,677,150.34

**D. Florida Retirement System**

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

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

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

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

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by employer and employee contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2012-13 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	5.18
FRS, Elected County Officers	3.00	10.23
DROP - Applicable to Members from All of the Above Classes	0.00	5.44
FRS, 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 years ended June 30, 2011, June 30, 2012, and June 30, 2013, totaled \$1,263,681.54, \$866,765.65, and \$896,517.01, respectively, which were equal to the required contributions for each fiscal year.

There were 29 District participants in the Investment Plan during the 2012-13 fiscal year. The District’s contributions including employee contributions to the Investment Plan totaled \$56,377.86, which was equal to the required contribution for the 2012-13 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 the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

**E. Other Postemployment Benefit Obligations**

**Plan Description.** The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District’s self-insured health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly

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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. 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, 2013, benefits are being provided to 66 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 2012-13 fiscal year, 66 retirees received other postemployment benefits. The District provided required contributions of \$217,275 toward the annual OPEB cost, net of retiree contributions totaling \$299,180, 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:

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Description	Amount
Normal Cost (service cost for one year)	\$ 192,020
Amortization of Unfunded Actuarial Accrued Liability	251,114
Annual Required Contribution	443,134
Interest on Net OPEB Obligation	40,144
Adjustment to Annual Required Contribution	(41,174)
Annual OPEB Cost (Expense)	442,104
Contribution Toward the OPEB Cost	(217,275)
Change in Net OPEB Obligation	224,829
Net OPEB Obligation, Beginning of Year	1,070,511
Net OPEB Obligation, End of Year	\$ 1,295,340

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, 2013, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	\$ 548,861	49.43%	\$ 782,141
2011-12	578,088	50.12%	1,070,511
2012-13	442,104	49.15%	1,295,340

**Funded Status and Funding Progress.** As of October 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was \$6,409,867, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$6,409,867 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$6,332,228, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 101.23 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.

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

The District's OPEB actuarial valuation as of October 1, 2012, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2013, and to estimate the District's 2012-13 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 3.75 percent per year, projected salary increases of 4 to 8.25 percent, and an annual healthcare cost trend rate of 8.5 percent beginning October 2012 plan year, reduced to an ultimate rate of 5.33 percent beginning October 2033. The investment rate of return and projected salary increases 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 over a 30 year period. The remaining amortization period at June 30, 2013, was 26 years.

**F. 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 (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 dishonest, 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.

**CALHOUN COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

A liability in the amount of \$99,534 was actuarially determined to cover estimated incurred, but not reported, District health insurance claims payable at June 30, 2013. The actuarial basis used for estimating the liability for unpaid claims of the District’s health plan was a combination of the development method and the claims projection method. Under the development method, the historical claim data was recorded by incurred month and paid month. The resulting loss development pattern (as claims mature) was to estimate the future development of existing claims as of the valuation (accounting) date on June 30, 2013. The claim projection method used historical claim experience to estimate the ultimate level of incurred claims in a specific incurral month. This incurred claim estimate was utilized to estimate a claims reserve. The claims development method was used to estimate the incurred but unpaid claims liability for all incurral months prior to May 2013. The claim projection method was used to estimate the level of incurred but unpaid claims for the incurral months of May 2013 and June 2013. However, to be conservative a 10 percent increase to the incurred but not paid (IBNP) reserve amount has been added to offset such delayed payments and to provide a margin for experience less favorable than expected. The paid claims data has not been adjusted for any excess recoveries, which would otherwise tend to overstate the IBNP reserves. In this instance, the effect is not significant and adds a slight amount of conservatism.

Because of the relatively short payment pattern of the claims, there was no discounting for present value other than that inherent in the claims data.

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

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2011-12	\$ 105,359.00	\$ 1,532,742.88	\$ (1,465,742.88)	\$ 172,359.00
2012-13	172,359.00	1,442,639.87	(1,515,464.87)	99,534.00

**G. 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
<b>GOVERNMENTAL ACTIVITIES</b>					
Special Public Education Capital Outlay Advance Payable	\$ 499,921.99	\$	\$ 499,921.99	\$	\$
Compensated Absences Payable	1,150,319.74	9,164.96	45,180.56	1,114,304.14	75,829.98
Other Postemployment Benefits Payable	1,070,511.00	442,104.00	217,275.00	1,295,340.00	
<b>Total Governmental Activities</b>	<b>\$ 2,720,752.73</b>	<b>\$ 451,268.96</b>	<b>\$ 762,377.55</b>	<b>\$ 2,409,644.14</b>	<b>\$ 75,829.98</b>

**CALHOUN COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

For the governmental activities, compensated absences and other postemployment benefits are generally liquidated with resources of the General Fund. Due to the nature of the liability there is no amount of other postemployment benefits due in one year.

**H. Fund Balance Reporting**

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

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

**I. Interfund Receivables and Payables**

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 112,259.84	\$
Special Revenue:		
Other		95,035.18
Federal Economic Stimulus		17,224.66
Total	\$ 112,259.84	\$ 112,259.84

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 – Other and the Special Revenue - Federal Economic Stimulus funds. These amounts are expected to be repaid within one year.

**CALHOUN COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**J. Revenues and Expenditures/Expenses**

**1. Schedule of State Revenue Sources**

The following is a schedule of the District’s State revenue sources for the 2012-13 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 9,379,804.00
Categorical Educational Program - Class Size Reduction	2,308,886.00
Special Allocation for Carr School	300,000.00
Workforce Development Program	134,404.00
Classrooms First Program	71,453.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	68,045.04
School Recognition	60,820.00
Food Service Supplement	17,789.00
Mobile Home License Tax	4,608.42
Miscellaneous	352,173.62
	<hr/>
Total	<u>\$ 12,697,983.08</u>

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

**2. Property Taxes**

The following is a summary of millages and taxes levied on the 2012 tax roll for the 2012-13 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.424	\$ 2,400,034.89
Prior Period Funding Adjustment	0.012	5,309.81
Basic Discretionary Local Effort	0.748	330,978.26
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.050	464,608.52
Total	<u>7.234</u>	<u>\$ 3,200,931.48</u>

**CALHOUN COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013**

**K. Interfund Transfers**

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 223,643.00	\$
Debt Service:		
Other	499,185.97	
Capital Projects:		
Other		378,809.55
Nonmajor Governmental		344,019.42
Total	\$ 722,828.97	\$722,828.97

The principal purposes of the interfund transfers are to provide for the repayment of the Special Public Education Capital Outlay advance payable and the transfer of local capital improvement money to pay for property casualty insurance and maintenance salaries.

**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, 2013**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Through State and Local	\$ 250,000.00	\$ 250,000.00	\$ 299,190.83	\$ 49,190.83
State	12,402,312.07	12,402,772.55	12,239,911.04	(162,861.51)
Local:				
Property Taxes	2,632,819.00	2,632,819.00	2,626,287.86	(6,531.14)
Miscellaneous	2,650.00	2,650.00	281,330.72	278,680.72
Total Local Revenues	<u>2,635,469.00</u>	<u>2,635,469.00</u>	<u>2,907,618.58</u>	<u>272,149.58</u>
<b>Total Revenues</b>	<u>15,287,781.07</u>	<u>15,288,241.55</u>	<u>15,446,720.45</u>	<u>158,478.90</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	10,833,000.00	10,498,984.94	10,250,775.01	248,209.93
Pupil Personnel Services	417,500.00	505,742.47	499,781.85	5,960.62
Instructional Media Services	260,500.00	303,797.09	255,667.88	48,129.21
Instruction and Curriculum Development Services	361,600.00	401,277.40	324,634.43	76,642.97
Instructional Staff Training Services	28,250.00	30,099.56	15,203.40	14,896.16
Instruction Related Technology	415,600.00	429,919.24	406,122.72	23,796.52
School Board	322,000.00	367,775.08	295,264.22	72,510.86
General Administration	259,000.00	271,355.49	237,277.62	34,077.87
School Administration	1,132,600.00	1,186,503.02	1,163,190.55	23,312.47
Facilities Acquisition and Construction	48,000.00	48,176.16	44,400.00	3,776.16
Fiscal Services	376,000.00	385,886.21	377,106.82	8,779.39
Food Services		481.10	481.10	
Central Services	2,800.00	2,800.00		2,800.00
Pupil Transportation Services	1,060,000.00	997,952.14	932,945.93	65,006.21
Operation of Plant	1,470,000.00	1,507,203.34	1,397,952.54	109,250.80
Maintenance of Plant	330,500.00	378,527.08	339,148.16	39,378.92
Administrative Technology Services	17,000.00	17,000.00	14,692.92	2,307.08
Community Services				
Fixed Capital Outlay:				
Other Capital Outlay		6,099.59	6,099.59	
<b>Total Expenditures</b>	<u>17,334,350.00</u>	<u>17,339,579.91</u>	<u>16,560,744.74</u>	<u>778,835.17</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(2,046,568.93)</u>	<u>(2,051,338.36)</u>	<u>(1,114,024.29)</u>	<u>937,314.07</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	353,643.00	353,643.00	223,643.00	(130,000.00)
Insurance Loss Recoveries			15,613.96	15,613.96
Transfers Out	(180,000.00)	(180,000.00)		180,000.00
<b>Total Other Financing Sources</b>	<u>173,643.00</u>	<u>173,643.00</u>	<u>239,256.96</u>	<u>65,613.96</u>
<b>Net Change in Fund Balances</b>	<u>(1,872,925.93)</u>	<u>(1,877,695.36)</u>	<u>(874,767.33)</u>	<u>1,002,928.03</u>
Fund Balances, Beginning	3,781,733.91	3,781,733.91	3,781,733.91	
<b>Fund Balances, Ending</b>	<u>\$ 1,908,807.98</u>	<u>\$ 1,904,038.55</u>	<u>\$ 2,906,966.58</u>	<u>\$ 1,002,928.03</u>

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 173,971.06	\$ 1,547,904.65	\$ 1,278,770.05	\$ (269,134.60)	\$ 249,012.78	\$ 253,300.21	\$ 97,708.39	\$ (155,591.82)
<u>173,971.06</u>	<u>1,547,904.65</u>	<u>1,278,770.05</u>	<u>(269,134.60)</u>	<u>249,012.78</u>	<u>253,300.21</u>	<u>97,708.39</u>	<u>(155,591.82)</u>
57,827.94	641,249.90	505,423.38	135,826.52	132,537.41	83,090.55	31,461.41	51,629.14
6,269.22	146,394.52	130,278.87	16,115.65	10.10	10.10		10.10
11,219.22	324,302.49	293,163.94	31,138.55		32,873.33	345.34	32,527.99
78,973.55	294,527.24	214,483.28	80,043.96	40,983.88	52,610.71	5,243.49	47,367.22
81.00				62,448.97	62,448.97	16,055.70	46,393.27
12,251.12	53,538.56	42,456.58	11,081.98	2,532.42	2,153.60	2,153.60	
500.00	845.12	845.12		10,500.00	1,303.17	1,303.17	
					18,809.78	8,617.69	10,192.09
6,849.01	42,463.82	34,045.88	8,417.94				
	44,583.00	35,800.00	8,783.00				
22,273.00	22,273.00	22,273.00	-	32,527.99	32,527.99	32,527.99	-
<u>196,244.06</u>	<u>1,570,177.65</u>	<u>1,278,770.05</u>	<u>291,407.60</u>	<u>281,540.77</u>	<u>285,828.20</u>	<u>97,708.39</u>	<u>188,119.81</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Actuarial Valuation Date	Actuarial Value of Assets  (A)	Actuarial Accrued Liability (AAL) - (1)  (B)	Unfunded AAL (UAAL)  (B-A)	Funded Ratio  (A/B)	Covered Payroll  (C)	UAAL as a Percentage of Covered Payroll  [(B-A)/C]
October 1, 2007	\$ 0	\$ 8,615,828	\$ 8,615,828	0%	\$ 7,297,281	118.07%
October 1, 2010	0	8,247,396	8,247,396	0%	6,443,823	127.99%
October 1, 2012	0	6,409,867	6,409,867	0%	6,332,228	101.23%

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, 2013**

**I. BUDGETARY BASIS OF ACCOUNTING**

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

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

**II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT**

The October 1, 2012, unfunded actuarial accrued liability of \$6,409,867 was significantly lower than the October 1, 2010, liability of \$8,247,396 as discussed below:

- The number of retirees as of the valuation period ending October 1, 2012, receiving post-employment health benefits through the District's core plan increased from 60 as of the valuation period ending October 1, 2010, to 66. At the same time the number of active employees eligible for future post-employment benefits increased from 185 to 204. These factors increased the cost and liability.
- The total cost of coverage decreased from \$664 per employee per month (as expected for the plan year beginning October 1, 2010) to \$613 per employee per month for the plan year beginning October 1, 2012. This is significantly lower than the projected \$785 per employee per month, substantially decreasing the cost and liability.
- In the prior valuation, the costs and premiums were assumed be 8 percent for the plan year beginning October 1, 2013, with subsequent trends rates decreasing 0.5 percent each year thereafter to the ultimate value of 5 percent. In the current valuation, beginning October 1, 2013, the trend rate for costs and premiums charged to retirees is 8.5 percent with subsequent trend rates decreasing 0.5 percent each subsequent year until reaching the ultimate rate of 5 percent, increasing the cost and liability.
- The District's Plan is not projected to be assessed the Excise Tax on High-Cost Employer Health Plans until plan year 2033. Absent any plan changes, this will result in a 0.33 percent increase in the cost of coverage for the plan year 2033. In addition, the ultimate 5.0 percent medical inflation assumed for the 2033 is a total increase of 5.33 percent over the 2032 plan year and for all subsequent years. This change increased the cost and liability.
- Also, certain demographic assumptions were revised to effect changes made to the Florida Retirement System, increasing the cost and liability.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**CALHOUN COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
<b>United States Department of Agriculture:</b>			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	321	\$ 312,371.75
National School Lunch Program	10.555 (2)(A)	300	609,827.03
<b>Total United States Department of Agriculture</b>			<b>922,198.78</b>
<b>United States Department of Education:</b>			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027 (3)	263	458,991.90
Special Education - Preschool Grants	84.173	267	29,616.25
Washington County District School Board:			
Special Education - Grants to States	84.027 (3)	None	1,731.44
<b>Total Special Education Cluster</b>			<b>490,339.59</b>
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	52,059.00
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	530,049.91
Career and Technical Education - Basic Grants to States	84.048	161	62,150.61
Rural Education	84.358	110	42,932.00
Improving Teacher Quality State Grants	84.367	224	102,970.38
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (4)	RL111, RD211, RG311	97,708.39
Washington County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (2)(B), (4)	None	14,915.71
<b>Total United States Department of Education</b>			<b>1,393,125.59</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 2,315,324.37</b>

- 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:
- (A) National School Lunch Program - Includes \$80,259.03 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
- (B) ARRA - State Fiscal Stabilization (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act - Includes \$10,434.10 of equipment transferred from the Washington County District School Board during the 2012-13 fiscal year. The property is valued at fair value as determined at the time of transfer.
- (3) Special Education - Grants to States. Total CFDA No. 84.027 expenditures: \$460,723.34.
- (4) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act. Total CFDA No. 84.395 expenditures: \$112,624.10.



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

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

## Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 28, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds, as described in our report on the Calhoun County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

## Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a

reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

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

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.

### **Purpose of this Report**

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

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
January 28, 2014



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

### Report on Compliance for Each Major Federal Program

We have audited the 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 each of the District’s major Federal programs for the fiscal year ended June 30, 2013. The District’s major Federal programs are identified in the **SUMMARY OF AUDITOR’S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

#### *Management’s Responsibility*

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

#### *Auditor’s Responsibility*

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

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

***Basis for Qualified Opinion on Special Education Cluster***

As described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, the District did not comply with requirements regarding CFDA Nos. 84.027 and 84.173 Special Education Cluster Programs as described in Federal Awards Finding No. 1 for Matching, Level of Effort, and Earmarking – Maintenance of Effort. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

***Qualified Opinion on Special Education Cluster***

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Special Education Cluster Programs for the fiscal year ended June 30, 2013.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** for the fiscal year ended June 30, 2013.

**Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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 control 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. We consider the deficiency in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1 to be a material weakness.

The District's response to the internal control over compliance findings identified in our audit is included as Exhibit A. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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

Respectfully submitted,



David W. Martin, CPA

Tallahassee, Florida

January 28, 2014

**CALHOUN COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified for all major programs except for the Special Education Cluster (CFDA Nos. 84.027 and 84.173), which was qualified.
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes
Identification of major programs:	
CFDA Numbers: 84.027 and 84.173 84.395	Name of Federal Program or Cluster: Special Education Cluster ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act
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, 2013**

**ADDITIONAL MATTERS**

**Finding No. 1: Financial Reporting**

Our review of the District’s 2012-13 fiscal year annual financial report, as submitted to the Florida Department of Education and presented for audit, disclosed that financial reporting procedures could be improved. For example, District personnel inadvertently did not identify and report certain amounts due from the State for the Classrooms First Program in the Capital Projects - Other Fund, resulting in understatements of assets and revenues by \$71,453 each. Misreporting account balances and related transactions such as these may cause financial statement users to incorrectly assess the District’s financial position.

We extended our audit procedures to determine the adjustments necessary to properly report the accounts and transactions, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management’s responsibility to implement adequate controls over financial reporting.

**Recommendation: The District should improve its financial reporting procedures to ensure that financial statement account balances and transactions are properly reported.**

**Finding No. 2: Compensation and Salary Schedules**

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)4.b., Florida Statutes, provides that for instructional personnel, the Board must provide differentiated pay based upon District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

The Board had not 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.

While the salary schedule provided for certain types of differentiated pay, without a Board-established documented process for identifying which instructional personnel are to receive 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. 2012-034 and 2013-077.

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**Recommendation:** The Board should establish a documented process for identifying instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

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**Finding No. 3: Contractual Services**

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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, we tested expenditures totaling \$121,298 for five contracts for the 2012-13 fiscal year. Two of the five contracts were Board-approved contracts for school resource officer (SRO) services, pursuant to Section 1006.12, Florida Statutes, with the City of Blountstown and the Sheriff's Office. We noted that controls over these contracts could be enhanced, as discussed below.

The City of Blountstown's contract provided for one SRO to serve four schools to keep the principals informed of school campus activities and to work with school officials on discipline referrals, and the District paid \$45,936 for the services provided for the 2012-13 fiscal year. Also, the Sheriff's contract provided for one SRO to serve as the school safety officer in District schools, and the District paid \$48,069 for these services for the 2012-13 fiscal year. However, the contracts did not identify expected SRO services, such as the school campus activities that SROs should report to principals or discipline referrals that would require SRO services, and the expected times for these services. Further, District personnel indicated that principals verbally approved payments for SRO services, without documenting satisfactory receipt of the services using records such as SRO sign-in, sign-out sheets. Subsequent to our inquiries in March 2013, the District began requiring logs to be maintained and approved by principals in April 2013.

Without effective procedures to establish contracts to define services to be received and expected times of service, and documented evidence of the receipt of services, there is an increased risk of overpayment or that services may not be consistent with Board intentions. A similar finding was noted in our report No. 2013-077.

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**Recommendation:** The District should continue to enhance its monitoring procedures over SRO services to ensure contracts adequately define services and expected timeframes of the services, and satisfactory receipt of services is documented prior to payment.

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**Finding No. 4: Facilities Management**

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The facilities and maintenance department is responsible for managing outsourced construction and renovation projects, maintenance of schools and ancillary facilities, and ensuring facilities are safe and suitable for their intended use. During the 2012-13 fiscal year, the District employed six facilities and maintenance department employees, and the department's operating cost was \$383,548. Also, during this fiscal year, the District had expenditures totaling \$388,871 for capital projects fund renovation projects and, as shown on the District's Five-Year Facilities Work Plan as approved by the Board on September 10, 2013, the District planned to spend \$500,000 on construction and renovation projects and \$2.7 million on maintenance over the next five fiscal years. In addition, the District has applied to the Florida Department of Education (FDOE) for Special Facilities Funding for a new school with a planned cost of \$9.7 million to be spent in the next five fiscal years if approved. At June 30, 2013, the historical cost of the District's educational and ancillary facilities, including land purchases, was \$40.4 million and, as shown on the FDOE's Florida Inventory of School Houses data, District facilities had an average age of 31 years.

Given the significant commitment of public funds to construct and maintain educational facilities, it is important that the District establish written policies and procedures for evaluating the effectiveness and efficiency of facility operations at least annually using performance data and established benchmarks, and establish documented processes for evaluating facilities construction methods and maintenance techniques to determine the most cost-effective and efficient method or technique. In addition, performance evaluations could include established goals for facility and maintenance operations, and measurable objectives or benchmarks that are clearly defined, to document the extent to which goals and accountability for facilities and maintenance department employees are achieved. While our review indicated that District procedures were generally adequate, we noted enhancements could be made, as follows:

- **Alternative Construction Methods or Maintenance Techniques.** The District primarily awards construction contracts to design professionals and construction contractors using traditional bid-build methods and construction manager at risk methods. In addition, maintenance-related jobs, such as heating, ventilation, and air-conditioning replacement and repairs, are routinely performed by facilities and maintenance department personnel based on safety and suitability priorities, although some jobs are outsourced to contractors. District personnel indicated that they had not established written policies and procedures for evaluating the various construction methods or maintenance-related job techniques and, while they consider alternative methods and techniques, they have not documented evaluations of the various approaches to determine, for each major construction project or significant maintenance-related job, which would be most cost-effective and beneficial. Board-approved policies and procedures, and documented evaluations, may provide additional assurance that the District uses the most cost-effective and beneficial construction method or maintenance technique.
- **Accountability.** The facilities and maintenance department has not established goals that identify efficiency or cost-effectiveness outcomes. To adequately establish outcome measures, the facilities and maintenance department could set goals such as completing renovation or remodeling projects, or maintenance-related jobs, that meet or exceed building code industry standards at the lowest possible cost. Progress in attaining the goals could be measured by developing accountability systems to monitor work orders for return assignments or corrective action because a project or job did not initially meet building code requirements, and to compare project or job costs to industry standards for similar work.

Additional goals could include setting benchmark time frames for routine projects or jobs, and progress toward meeting the goals could be measured by comparing project or job completion times to industry standards for similar work. Establishing goals that focus on accountability and measurable objectives and benchmarks could assist the District in determining whether its facilities and maintenance department is operating as cost-effectively and efficiently as possible.

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**Recommendation:** The District should consider developing written policies and procedures requiring periodic evaluations of alternative facilities construction methods and significant maintenance-related job techniques, and document these evaluations. Also, the District should consider developing goals and objectives for the facilities and maintenance department employees to identify cost-effectiveness or efficiency outcomes for department personnel.

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#### **Finding No. 5: Board Meetings**

Section 286.011(2), Florida Statutes, requires the District to promptly record the minutes of all Board meetings for public inspection. In addition, Section 1001.42(1), Florida Statutes, requires the Board to review and approve minutes for each Board meeting at the next regular meeting, and to keep minutes as a public record in a permanent location to set forth clearly all Board actions and proceedings.

During the 2012-13 fiscal year, minutes of 4 of 11 workshops and special meetings were not approved until 35 to 91 days, or an average of 49 days, after the next regular meeting. Also, from July 1, 2013, to October 10, 2013, the Board did not approve the minutes of 6 of 7 workshop and special meetings until 30 to 91 days, or an average of 62 days,

after the next regular meeting, and 2 of 3 regular scheduled Board meetings until 30 to 63 days, or an average 47 days, after the next regular meeting. District personnel indicated that the delayed approvals occurred, in part, because of staff workload. Without timely approval, public access to official actions taken at such meetings may be limited.

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**Recommendation:** The Board should take necessary action to ensure that its minutes are timely approved.

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**FEDERAL AWARDS FINDING AND QUESTIONED COSTS**

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**Federal Awards Finding No. 1:**  
**Federal Agency:** United States Department of Education  
**Pass-Through Entity:** Florida Department of Education  
**Program:** Special Education Cluster (CFDA Nos. 84.027 and 84.173)  
**Finding Type:** Material Noncompliance and Material Weakness  
**Questioned Costs:** \$150,060

**Matching, Level of Effort, and Earmarking – Maintenance of Effort.** Title 34, Sections 300.203 and 300.204, Code of Federal Regulations, require that the amount of local funds or the combined State and local funds expended by the District on special education related services during the audit period be at least equal, in total or average per capita, to that of the prior fiscal year.

The District did not have procedures to monitor its compliance with the maintenance of effort requirements during the 2012-13 fiscal year. We reviewed the District’s State and local revenues and expenditures for the Special Education (i.e., exceptional student education) Cluster Programs (Programs), in total and average per capita, and noted that the District’s required expenditure effort decreased from the 2011-12 fiscal year to the 2012-13 fiscal year in total and average per capita. Using the most favorable calculation measure (average per capita or per student local effort based on FDOE’s calculation methodology), we determined that the District’s local fiscal effort for the Programs decreased from \$1,907 per student to \$1,663 per student, or 12.8 percent, from the 2011-12 fiscal year to the 2012-13 fiscal year, resulting in a maintenance of effort shortfall of \$150,060 as shown in the table below:

Per Student Local ESE Effort Analysis	Fiscal Year	
	2012-13	2011-12
Full-time Equivalent (FTE) Base Student Allocation (BSA)	\$ 3,583	\$ 3,479
Multiplied by: District Cost Differential	0.9244	0.9206
Modified BSA	3,312	3,203
Multiplied by: Exceptional Student Education (ESE) Weighted Students (Levels 254 and 255 Severe Handicapped)	77	93
ESE BSA	255,024	297,879
Add: State ESE Guaranteed Allocation	782,393	768,175
Total State ESE Effort	1,037,417	1,066,054 (A)
Total General Fund ESE Expenditures (Function 5200)	2,059,981	2,284,927 (B)
Difference: Total Local ESE Effort	1,022,564	1,218,873 (B - A)
Divide by: Total ESE Weighted FTE (Levels 111-113, 254 and 255)	615	639
Local ESE Effort per Student	1,663	1,907
Less: Local ESE Effort per Student 2011-12 Fiscal Year	(1,907)	
Decrease in Local ESE Effort per Student	(244)	
Multiply by: Total ESE Weighted FTE (from above)	615	
Total Decrease in Per Student Local ESE Effort	\$ (150,060)	

The deficiency in maintenance of effort from State and local funds, totaling \$150,060, represents questioned costs subject to disallowance by the grantor. District personnel indicated that the shortfall resulted primarily from a reduction in personnel and contracted services for specific students who were not served during the 2012-13 fiscal year and a reduction in school recognition payments to educational personnel. Without procedures to monitor applicable maintenance of effort requirements, the risk increases that State and local funds will not be properly allocated and expended for special education services, and the grantor may reduce future Programs awards.

Professional auditing standards require that when an auditee does not comply, in all material respects, with a compliance requirement that could have a direct and material effect on one of its major Federal programs, appropriate disclosures (qualifications) should be made in the auditor’s report. As the District did not comply with the requirement regarding Matching, Level of Effort, and Earmarking – Maintenance of Effort that is applicable to the Programs, our report on the District’s compliance with those requirements includes a qualification to that effect.

**Recommendation: The District should establish controls over State and local resources allocated and expended for Special Education Cluster Programs to ensure compliance with Federal maintenance of effort requirements. In addition, the District should document to the grantor (FDOE) its compliance with Federal maintenance of effort requirements or restore \$150,060 to the Special Education Cluster Programs.**

District Contact Persons and Titles: Staci Williams, Director of Exceptional Students and Elaine Barber, Director of Finance

**PRIOR AUDIT FOLLOW-UP**

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2013-077. The following table provides information on District recurring audit findings:

Current Fiscal Year Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers
2	Audit Report No. 2013-077, Finding No. 1	Audit Report No. 2012-034, Finding No. 2
3	Audit Report No. 2013-077, Finding No. 2	NA

NA – Not Applicable. (Note: Above chart limits recurring findings to two previous audit reports.)

**MANAGEMENT’S RESPONSE**

Management’s response is included as Exhibit A.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**

*CALHOUN COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2013*

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
2013-077		There were no prior Federal audit findings.		

EXHIBIT A  
MANAGEMENT'S RESPONSE

CALHOUN COUNTY SCHOOL BOARD

RALPH YODER

Superintendent Of Schools

20859 Central Ave. East, RM-G20 • Blountstown, FL 32424 • Phone: 850-674-5927 • Fax: 850-674-5814

January 28, 2014

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, 2013.

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: Financial Reporting**

The District will improve its financial reporting procedures to ensure that financial statement accounts and transactions are properly reported.

**Finding No. 2: Compensation and Salary Schedules**

The Board has adopted 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 have been developed and approved and are included in the 2013-2014 salary schedule. In addition, the 2013-2014 salary schedule includes a documented process for determining which instructional personnel are to receive differentiated pay.

Danny Ryals	Kelly King	Tim Smith	Kenneth Speights	Danny Hassig
District 1	District 2	District 3	District 4	District 5

**EXHIBIT A (CONTINUED)  
MANAGEMENT’S RESPONSE**

**Finding No. 3: 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. 4: Facilities Management**

The District is working with its consortium to develop written policies and procedures requiring the documentation of periodic evaluations of alternative construction methods and significant maintenance-related job techniques. In addition, the District will develop goals and objectives for the facilities and maintenance department to identify efficiency or cost-effectiveness outcomes for department personnel.

**Finding No. 5: Board Meetings**

The Board has taken necessary action to ensure that its minutes are timely approved.

**Federal Finding No. 1: Matching, Level of Effort, and Earmarking-Maintenance of Effort**

The District will enhance procedures over State and local resources allocated and expended for Special Education Cluster programs to ensure compliance with the Federal maintenance of effort requirement. Efforts will be made by the District to document to FDOE its compliance with the maintenance of effort requirement.

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