

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2014



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2013-14 fiscal year are listed below:

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

Ralph Yoder, Superintendent

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

The audit team leader was Meghan M. Holley, and the audit was supervised by Patricia S. Crutchfield, CPA, CFE. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

CALHOUN COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: District records did not evidence that all virtual instruction program providers' employees and contracted personnel were subjected to required background screenings.

Finding No. 2: The District needed to enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan.

Finding No. 3: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

Finding No. 4: Improvements were needed in controls over the reporting of instructional contact hours for adult education classes to the Florida Department of Education.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Title I, and Special Education Cluster programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

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:

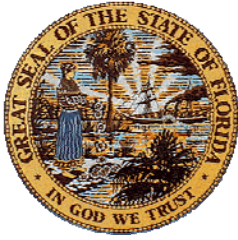
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a 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. 2014-111.

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, 2014. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We

also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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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, 2014, 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 11 percent of the assets and 48 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, 2014, 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 District'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

February 3, 2015

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, 2014. 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 2013-14 fiscal year are as follows:

- The District's total net position decreased by \$1,197,189.46, or 3.1 percent.
- General revenues total \$18,635,445.18, or 90.7 percent of all revenues in the 2013-14 fiscal year, compared to \$17,699,704.20, or 91.3 percent in the prior fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$1,909,127.13, or 9.3 percent, compared to \$1,684,625.59, or 8.7 percent in the prior fiscal year.
- During the current fiscal year, General Fund expenditures exceeded revenues by \$907,854.01. This may be compared to last fiscal year's results in which General Fund expenditures exceeded revenues by \$1,114,024.29.
- General Fund State funding, which consists primarily of the Florida Education Finance Program (FEFP) and categorical and other earmarked educational program revenues, increased \$1,142,660.12 over the 2012-13 fiscal year.
- The District's student enrollment decreased by 44 students, or 2 percent compared to 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, 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.

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, 2014, compared to net position as of June 30, 2013:

	Net Position, End of Year	
	Governmental Activities	
	6-30-14	6-30-13
Current and Other Assets	\$ 7,345,389.31	\$ 7,994,436.40
Capital Assets	<u>33,053,902.52</u>	<u>33,558,255.54</u>
Total Assets	<u>40,399,291.83</u>	<u>41,552,691.94</u>
Long-Term Liabilities	2,662,569.57	2,409,644.14
Other Liabilities	<u>683,451.12</u>	<u>892,587.20</u>
Total Liabilities	<u>3,346,020.69</u>	<u>3,302,231.34</u>
Net Position:		
Net Investment in Capital Assets	33,053,902.52	33,558,255.54
Restricted	882,339.33	334,690.42
Unrestricted	<u>3,117,029.29</u>	<u>4,357,514.64</u>
Total Net Position	<u>\$ 37,053,271.14</u>	<u>\$ 38,250,460.60</u>

The largest portion of the District’s net position (89.2 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment). The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District’s net position (2.4 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position (8.4 percent) may be used to meet the District’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, 2014, and June 30, 2013, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental	
	Activities	
	6-30-14	6-30-13
Program Revenues:		
Charges for Services	\$ 371,285.41	\$ 304,354.77
Operating Grants and Contributions	900,506.18	940,772.78
Capital Grants and Contributions	637,335.54	439,498.04
General Revenues:		
Property Taxes, Levied for Operational Purposes	2,472,513.21	2,626,287.86
Property Taxes, Levied for Capital Projects	439,913.46	445,923.37
Local Sales Taxes	391,665.31	378,628.15
Grants and Contributions Not Restricted to Specific Programs	15,129,485.89	13,937,022.97
Unrestricted Investment Earnings	8,207.23	14,561.36
Miscellaneous	193,660.08	297,280.49
Total Revenues	20,544,572.31	19,384,329.79
Functions/Program Expenses:		
Instruction	11,068,073.44	10,570,007.74
Student Personnel Services	861,021.69	636,841.43
Instructional Media Services	296,571.27	257,508.47
Instruction and Curriculum Development Services	742,348.02	642,555.40
Instructional Staff Training Services	265,074.23	240,287.54
Instruction Related Technology	487,051.78	441,405.61
School Board	348,362.35	292,981.43
General Administration	315,883.93	280,657.02
School Administration	1,214,883.31	1,214,912.69
Facilities Acquisition and Construction	483,660.75	226,037.18
Fiscal Services	488,947.55	394,540.90
Food Services	1,234,227.46	1,221,263.93
Student Transportation Services	1,207,506.42	1,120,640.09
Operation of Plant	1,341,596.55	1,410,529.55
Maintenance of Plant	334,933.45	350,203.69
Administrative Technology Services	16,980.50	14,692.92
Community Services	5,220.00	35,800.00
Unallocated Interest on Long-Term Debt		36.64
Unallocated Depreciation Expense	1,027,625.33	1,528,863.16
Loss on Disposal of Capital Assets	1,793.74	26,120.36
Total Functions/Program Expenses	21,741,761.77	20,905,885.75
Change in Net Position	(1,197,189.46)	(1,521,555.96)
Net Position - Beginning	38,250,460.60	39,772,016.56
Net Position - Ending	\$ 37,053,271.14	\$ 38,250,460.60

The largest revenue source is the State of Florida (68.3 percent). Revenues from State sources for current operations are primarily received through the FEFP funding formula. The FEFP formula utilizes student enrollment data and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District’s funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs increased by \$1,192,462.92, or 8.6 percent, primarily due to an increase in FEFP revenues from the State.

Capital grants and contributions revenue increased by \$197,837.50, or 45 percent, primarily due to the receipt of a nonrecurring Energy Conservation and Safety Enhancement (Public Education Capital Outlay) allocation.

Instruction expenses represent 50.9 percent of total governmental expenses in the 2013-14 fiscal year. Instruction expenses increased by \$498,065.70, or 4.7 percent, primarily as a result of an increase in salaries and benefits.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

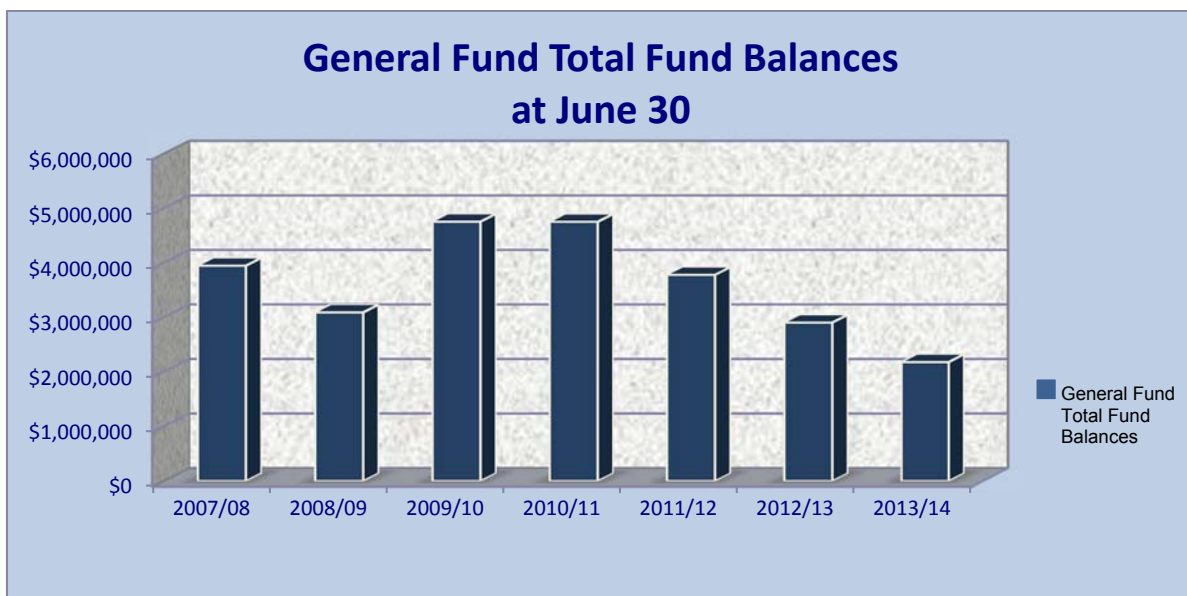
Governmental Funds

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 \$401,888.21 during the fiscal year to \$4,621,247.27 at June 30, 2014. Approximately 47.2 percent of this amount is unassigned fund balance (\$2,182,415.69), 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 (\$28,665.76), 2) restricted for particular purposes (\$853,673.57), or 3) assigned for particular purposes (\$1,556,492.25).

Major Governmental Funds

General Fund: The fund balance decreased by \$721,293.36 during the current fiscal year even though revenues increased by \$949,809.13, primarily due to an increase in FEFP funding. Fund balance decreased because the District has used the unassigned fund balance to maintain the same educational service levels as offered before the reduction in Federal economic stimulus programs beginning in the 2011-12 fiscal year. The following graph shows total fund balances of the General Fund from the 2007-08 fiscal year to the 2013-14 fiscal year.



Special Revenue - Other Fund: The Special Revenue – Other Fund has total revenues and expenditures of \$1,200,223.01 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 \$241,445.65 each. This fund is used to account for certain Federal stimulus program resources. Since Federal revenue is recognized to the extent that eligible expenditures have been incurred, this fund does not generally accumulate a fund balance.

Capital Projects – Other Fund: The Capital Projects – Other Fund has total fund balance of \$1,847,650.20 at June 30, 2014. This fund consists of \$221,882.11 in the Sales Tax Fund, \$69,275.84 in the Classrooms First Fund, and \$1,556,492.25 in the Department of Environmental Protection Settlement (DEPS) Fund. The fund balance decreased by \$99,011.32 due in part to expenditures in the DEPS Fund for Altha School.

Proprietary Funds

In the current fiscal year, expenses exceeded revenues, resulting in a decrease in net position of \$38,022.80, and a net position balance of \$2,040,690.92 at June 30, 2014. This can be compared to the previous fiscal year in which revenues exceeded expenses by \$260,847.25. The net position decreased mainly from an increase in insurance claims expense.

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 \$592,868.18 less than the final budgeted amounts. The ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$259,263.64.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2014, is \$33,053,902.52 (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.

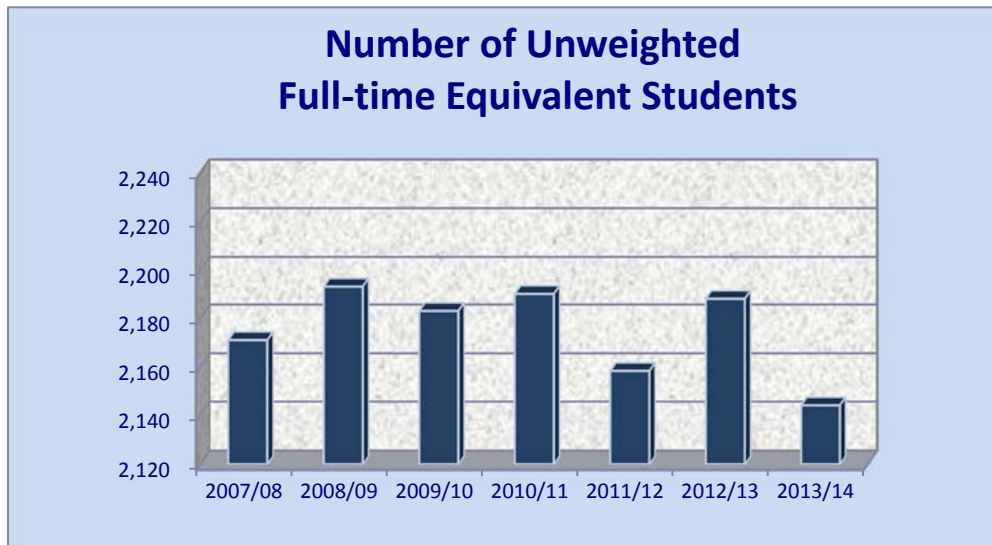
Additional information on the District's capital assets can be found in notes I.F.4 and II.C to the financial statements.

Long-Term Debt

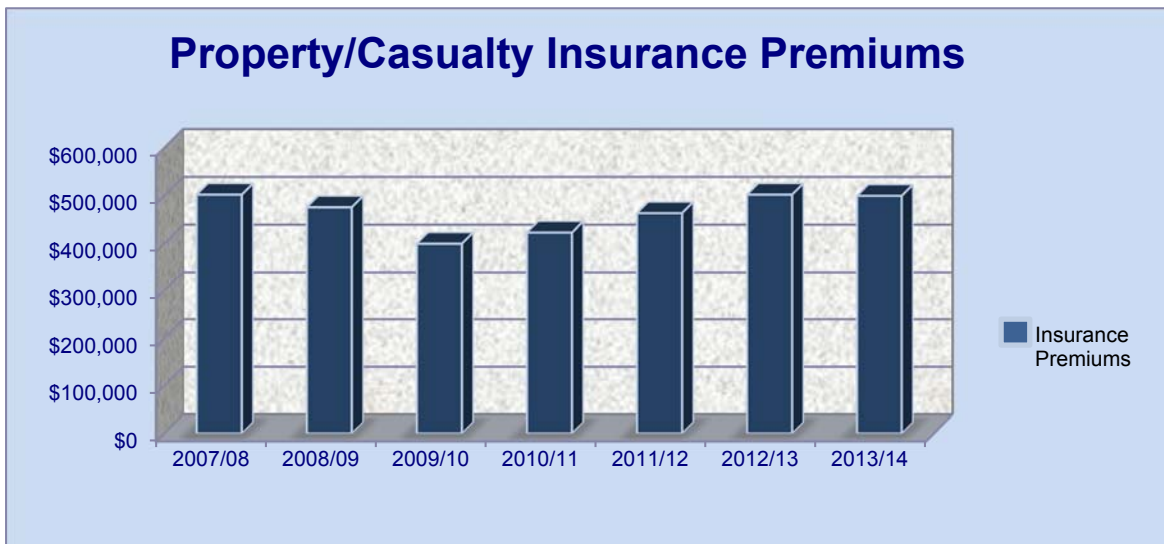
The District reports no long-term debt.

OTHER MATTERS OF SIGNIFICANCE

Student Enrollment and Funding. Revenues from State sources for current operations are primarily from the FEEP 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 unweighted FTE fluctuated over the past seven fiscal years.



Property/Casualty Insurance Premiums. The District has experienced fluctuating property/casualty insurance premiums over the past several fiscal years and, in the 2013-14 fiscal year, the District experienced a slight decrease in the premiums. The following graph depicts insurance premiums from the 2007-08 to 2013-14 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, 2014**

		Governmental Activities
ASSETS		
Cash and Cash Equivalents	\$	4,188,953.80
Investments		11,987.21
Accounts Receivable		10,439.21
Due from Other Agencies		883,787.79
Due from Fiscal Agent		2,221,555.54
Inventories		28,665.76
Capital Assets:		
Nondepreciable Capital Assets		1,551,599.34
Depreciable Capital Assets, Net		31,502,303.18
		40,399,291.83
TOTAL ASSETS		40,399,291.83
LIABILITIES		
Payroll Deductions and Withholdings		125,803.33
Accounts Payable		462,897.17
Due to Other Agencies		930.00
Deposits Payable		2,550.62
Estimated Insurance Claims Payable		91,270.00
Long-Term Liabilities:		
Portion Due Within One Year		67,109.23
Portion Due After One Year		2,595,460.34
		3,346,020.69
TOTAL LIABILITIES		3,346,020.69
NET POSITION		
Net Investment in Capital Assets		33,053,902.52
Restricted for:		
State Required Carryover Programs		3,257.53
Capital Projects		761,197.83
Food Service		117,883.97
Unrestricted		3,117,029.29
		37,053,271.14
TOTAL NET POSITION	\$	37,053,271.14

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, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 11,068,073.44	\$ 49,876.00	\$	\$	\$ (11,018,197.44)
Student Personnel Services	861,021.69				(861,021.69)
Instructional Media Services	296,571.27				(296,571.27)
Instruction and Curriculum Development Services	742,348.02				(742,348.02)
Instructional Staff Training Services	265,074.23				(265,074.23)
Instruction Related Technology	487,051.78				(487,051.78)
School Board	348,362.35				(348,362.35)
General Administration	315,883.93				(315,883.93)
School Administration	1,214,883.31				(1,214,883.31)
Facilities Acquisition and Construction	483,660.75			637,335.54	153,674.79
Fiscal Services	488,947.55				(488,947.55)
Food Services	1,234,227.46	321,409.41	900,506.18		(12,311.87)
Student Transportation Services	1,207,506.42				(1,207,506.42)
Operation of Plant	1,341,596.55				(1,341,596.55)
Maintenance of Plant	334,933.45				(334,933.45)
Administrative Technology Services	16,980.50				(16,980.50)
Community Services	5,220.00				(5,220.00)
Unallocated Depreciation Expense*	1,027,625.33				(1,027,625.33)
Loss on Disposal of Capital Assets	1,793.74				(1,793.74)
Total Governmental Activities	\$ 21,741,761.77	\$ 371,285.41	\$ 900,506.18	\$ 637,335.54	(19,832,634.64)
General Revenues:					
Taxes:					
Property Taxes, Levied for Operational Purposes					2,472,513.21
Property Taxes, Levied for Capital Projects					439,913.46
Local Sales Taxes					391,665.31
Grants and Contributions Not Restricted to Specific Programs					15,129,485.89
Unrestricted Investment Earnings					8,207.23
Miscellaneous					193,660.08
Total General Revenues					18,635,445.18
Change in Net Position					(1,197,189.46)
Net Position - Beginning					38,250,460.60
Net Position - Ending					\$ 37,053,271.14

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

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

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**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	\$ 2,098,269.74	\$ 130,584.35	\$
Investments	11,827.59		
Accounts Receivable	10,439.21		
Due from Other Funds	213,213.26		
Due from Other Agencies	130,608.85	31,634.59	64,033.16
Inventories			
TOTAL ASSETS	\$ 2,464,358.65	\$ 162,218.94	\$ 64,033.16
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll Deductions and Withholdings	\$ 116,500.36	\$ 5,481.84	\$
Accounts Payable	161,255.07	7,557.00	
Due to Other Funds		149,180.10	64,033.16
Due to Other Agencies	930.00		
Deposits Payable			
Total Liabilities	278,685.43	162,218.94	64,033.16
Fund Balances:			
Nonspendable:			
Inventories			
Restricted for:			
State Required Carryover Programs	3,257.53		
Capital Projects			
Food Service			
Total Restricted Fund Balance	3,257.53		
Assigned for Capital Projects			
Unassigned Fund Balance	2,182,415.69		
Total Fund Balances	2,185,673.22		
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,464,358.65	\$ 162,218.94	\$ 64,033.16

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,847,490.58 159.62	\$ 112,609.13	\$ 4,188,953.80 11,987.21 10,439.21 213,213.26 685,803.81 28,665.76
<u>\$ 1,847,650.20</u>	<u>\$ 600,802.10</u>	<u>\$ 5,139,063.05</u>
\$	\$ 3,821.13 6,506.50	\$ 125,803.33 175,318.57 213,213.26 930.00 2,550.62
<u>2,550.62</u>	<u>2,550.62</u>	<u>2,550.62</u>
<u>12,878.25</u>	<u>12,878.25</u>	<u>517,815.78</u>
<u>28,665.76</u>	<u>28,665.76</u>	<u>28,665.76</u>
291,157.95	470,039.88 89,218.21	3,257.53 761,197.83 89,218.21
<u>291,157.95</u>	<u>559,258.09</u>	<u>853,673.57</u>
<u>1,556,492.25</u>	<u>1,556,492.25</u>	<u>2,182,415.69</u>
<u>1,847,650.20</u>	<u>587,923.85</u>	<u>4,621,247.27</u>
<u>\$ 1,847,650.20</u>	<u>\$ 600,802.10</u>	<u>\$ 5,139,063.05</u>

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014**

Total Fund Balances - Governmental Funds \$ 4,621,247.27

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. 33,053,902.52

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. 2,040,690.92

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 year-end consist of:

Compensated Absences Payable	\$ 1,149,250.57	
Other Postemployment Benefits Payable	1,513,319.00	(2,662,569.57)

Net Position - Governmental Activities **\$ 37,053,271.14**

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, 2014**

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Through State and Local State	\$ 305,246.07 13,382,571.16	\$ 1,200,223.01	\$ 241,445.65
Local:			
Property Taxes	2,472,513.21		
Local Sales Taxes			
Charges for Services - Food Service			
Miscellaneous	236,199.14		
Total Local Revenues	<u>2,708,712.35</u>		
Total Revenues	<u>16,396,529.58</u>	<u>1,200,223.01</u>	<u>241,445.65</u>
Expenditures			
Current - Education:			
Instruction	10,425,027.26	379,886.65	145,536.71
Student Personnel Services	714,226.75	132,995.91	
Instructional Media Services	291,523.18		
Instruction and Curriculum Development Services	345,706.53	362,395.16	
Instructional Staff Training Services	8,472.03	233,604.71	18,580.00
Instruction Related Technology	451,212.60		19,127.12
School Board	352,438.47		
General Administration	275,254.57	37,311.07	1,031.88
School Administration	1,165,624.02	71.76	
Facilities Acquisition and Construction	53,438.06		
Fiscal Services	474,896.49		
Food Services			
Student Transportation Services	1,024,057.76	38,830.10	
Operation of Plant	1,327,579.31		
Maintenance of Plant	326,256.21		
Administrative Technology Services	16,980.50		
Community Services		5,220.00	
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	51,689.85	9,907.65	57,169.94
Debt Service:			
Fiscal Charges			
Total Expenditures	<u>17,304,383.59</u>	<u>1,200,223.01</u>	<u>241,445.65</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(907,854.01)</u>		
Other Financing Sources (Uses)			
Transfers In	180,009.00		
Insurance Loss Recoveries	6,551.65		
Transfers Out			
Total Other Financing Sources (Uses)	<u>186,560.65</u>		
Net Change in Fund Balances	<u>(721,293.36)</u>		
Fund Balances, Beginning	<u>2,906,966.58</u>		
Fund Balances, Ending	<u>\$ 2,185,673.22</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 71,453.00	\$ 882,324.18	\$ 2,629,238.91
	584,064.54	14,038,088.70
	439,913.46	2,912,426.67
391,665.31	321,409.41	391,665.31
	3,599.74	321,409.41
5,392.78		245,191.66
<u>397,058.09</u>	<u>764,922.61</u>	<u>3,870,693.05</u>
468,511.09	2,231,311.33	20,538,020.66
		10,950,450.62
		847,222.66
		291,523.18
		708,101.69
		260,656.74
		470,339.72
		352,438.47
		313,597.52
		1,165,695.78
273,038.05	155,001.65	481,477.76
	1,229,697.73	474,896.49
		1,229,697.73
		1,062,887.86
		1,327,579.31
		326,256.21
		16,980.50
		5,220.00
294,484.36	42,689.24	337,173.60
	205,459.99	324,227.43
	37.25	37.25
<u>567,522.41</u>	<u>1,632,885.86</u>	<u>20,946,460.52</u>
<u>(99,011.32)</u>	<u>598,425.47</u>	<u>(408,439.86)</u>
		180,009.00
		6,551.65
	<u>(180,009.00)</u>	<u>(180,009.00)</u>
	<u>(180,009.00)</u>	<u>6,551.65</u>
(99,011.32)	418,416.47	(401,888.21)
<u>1,946,661.52</u>	<u>169,507.38</u>	<u>5,023,135.48</u>
<u>\$ 1,847,650.20</u>	<u>\$ 587,923.85</u>	<u>\$ 4,621,247.27</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, 2014**

Net Change in Fund Balances - Governmental Funds \$ (401,888.21)

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. (502,559.28)

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 fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets. (1,793.74)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year. (34,946.43)

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. (217,979.00)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service funds is reported with governmental activities. (38,022.80)

Change in Net Position - Governmental Activities \$ (1,197,189.46)

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, 2014**

	Governmental Activities - Internal Service Fund <hr style="width: 100%;"/>
ASSETS	
Current Assets:	
Due from Other Agencies	\$ 197,983.98
Due from Fiscal Agent	2,221,555.54
	<hr style="width: 100%;"/>
TOTAL ASSETS	2,419,539.52
	<hr style="width: 100%;"/>
LIABILITIES	
Current Liabilities:	
Accounts Payable	287,578.60
Estimated Insurance Claims Payable	91,270.00
	<hr style="width: 100%;"/>
Total Current Liabilities	378,848.60
	<hr style="width: 100%;"/>
NET POSITION	
Unrestricted	\$ 2,040,690.92
	<hr style="width: 100%;"/>

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, 2014**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues	\$ 2,333,478.18
OPERATING EXPENSES	
Insurance Claims	1,716,138.34
Excess Insurance Premiums	492,261.29
Service Agent Fees	140,916.25
Purchased Services	25,558.16
	2,374,874.04
Total Operating Expenses	
Operating Loss	(41,395.86)
NONOPERATING REVENUES	
Interest Revenue	3,373.06
	(38,022.80)
Change in Net Position	
Total Net Position - Beginning	2,078,713.72
	\$ 2,040,690.92
Total Net Position - Ending	

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, 2014**

		Governmental Activities - Internal Service Fund
		Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Board Funds and Participants	\$	2,333,478.18
Cash Payments to Suppliers for Goods and Services		(522,679.79)
Cash Payments for Insurance Claims		(1,724,402.34)
Cash Payments for Other Operating Activities		(89,769.11)
		(3,373.06)
Net Cash Used by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income		3,373.06
		3,373.06
Net Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents, Beginning		0.00
Cash and Cash Equivalents, Ending	\$	0.00
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	\$	(41,395.86)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
Due From Other Agencies		(197,983.98)
Due From Fiscal Agent		108,214.87
Accounts Payable		136,055.91
Estimated Insurance Claims Payable		(8,264.00)
		38,022.80
Total Adjustments		38,022.80
Net Cash Used by Operating Activities	\$	(3,373.06)

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, 2014**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 359,489.00
LIABILITIES	
Internal Accounts Payable	\$ 359,489.00

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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 Calhoun County School District (District). 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 student 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 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 (SBE) 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, 2014**

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

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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.

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,

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Florida Statutes. 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 1.84438408 at June 30, 2014. 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.

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.

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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, 2014.

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 fiscal year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. SBE 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.

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 2013 tax levy on September 10, 2013. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

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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.

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 the District. 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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B. Investments

As of June 30, 2014, the District had the following investments and maturities:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	40 Day Average	\$ 3,452,845.27
Fund B	2.86 Year Average	<u>11,987.21</u>
Total Investments		<u><u>\$ 3,464,832.48</u></u>

Note: (1) This investment is 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, 2014. 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, 2014, is estimated at 2.86 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

➤ Credit Risk

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

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,486,032.84	\$ 65,566.50	\$	\$ 1,551,599.34
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	2,860,571.35	63,740.00		2,924,311.35
Buildings and Fixed Equipment	36,062,282.28	219,029.01		36,281,311.29
Furniture, Fixtures, and Equipment	2,460,279.81	116,873.52	60,489.38	2,516,663.95
Motor Vehicles	2,455,824.10	196,192.00		2,652,016.10
Audio Visual Materials and Computer Software	922,813.57			922,813.57
Total Capital Assets Being Depreciated	44,761,771.11	595,834.53	60,489.38	45,297,116.26
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	610,343.16	115,340.58		725,683.74
Buildings and Fixed Equipment	7,655,955.74	714,996.50		8,370,952.24
Furniture, Fixtures, and Equipment	1,810,402.44	180,072.87	58,695.64	1,931,779.67
Motor Vehicles	1,741,213.24	136,334.98		1,877,548.22
Audio Visual Materials and Computer Software	871,633.83	17,215.38		888,849.21
Total Accumulated Depreciation	12,689,548.41	1,163,960.31	58,695.64	13,794,813.08
Total Capital Assets Being Depreciated, Net	32,072,222.70	(568,125.78)	1,793.74	31,502,303.18
Governmental Activities Capital Assets, Net	\$ 33,558,255.54	\$ (502,559.28)	\$ 1,793.74	\$ 33,053,902.52

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 136,334.98
Unallocated	1,027,625.33
Total Depreciation Expense - Governmental Activities	\$ 1,163,960.31

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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 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.

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The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	6.95
FRS, Elected County Officers	3.00	33.03
DROP - Applicable to Members from All of the Above Classes	0.00	12.84
FRS, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 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, 2012, June 30, 2013, and June 30, 2014, totaled \$866,765.65, \$896,517.01, and \$1,232,263.87, respectively, which were equal to the required contributions for each fiscal year.

There were 24 District participants in the Investment Plan during the 2013-14 fiscal year. The District’s contributions including employee contributions to the Investment Plan totaled \$80,291.10, which was equal to the required contribution for the 2013-14 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, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850)413-5511; or at the Department’s Web site (www.myfloridacfo.com). 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, Research and Education Section, by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877)377-1737 or (850)488-5706; by e-mail at rep@dms.myflorida.com; or at the Division’s Web site (www.frs.myflorida.com).

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 subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy

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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, 2014, 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 2013-14 fiscal year, 66 retirees received other postemployment benefits. The District provided required contributions of \$245,159 toward the annual OPEB cost, net of retiree contributions totaling \$336,702, which represents 5.3 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:

Description	Amount
Normal Cost (service cost for one year)	\$ 203,853
Amortization of Unfunded Actuarial Accrued Liability	260,531
Annual Required Contribution	464,384
Interest on Net OPEB Obligation	48,575
Adjustment to Annual Required Contribution	(49,821)
Annual OPEB Cost (Expense)	463,138
Contribution Toward the OPEB Cost	(245,159)
Change in Net OPEB Obligation	217,979
Net OPEB Obligation, Beginning of Year	1,295,340
Net OPEB Obligation, End of Year	\$ 1,513,319

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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, 2014, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	\$ 578,088	50.12%	\$ 1,070,511
2012-13	442,104	49.15%	1,295,340
2013-14	463,138	52.93%	1,513,319

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.

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, 2014, and to estimate the District’s 2013-14 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 2013 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

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amortized as a level percentage of projected payroll on a closed basis over a 30-year period. The remaining amortization period at June 30, 2014, was 25 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 dishonesty, equipment breakdown, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Washington County District School Board serves as fiscal agent for the Consortium.

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

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

A liability in the amount of \$91,270 was actuarially determined to cover estimated incurred, but not reported, District health insurance claims payable at June 30, 2014. 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, 2014. 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 2014. The claim projection method was used to estimate the level of incurred but unpaid claims for the incurral months of May 2014 and June 2014. However, to be conservative a 10 percent increase to the incurred but not paid (IBNP) reserve amount has been added 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.

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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
2012-13	\$ 172,359.00	\$ 1,442,639.87	\$ (1,515,464.87)	\$ 99,534.00
2013-14	99,534.00	1,716,138.34	(1,724,402.34)	91,270.00

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
GOVERNMENTAL ACTIVITIES					
Compensated Absences Payable	\$ 1,114,304.14	\$ 105,163.59	\$ 70,217.16	\$ 1,149,250.57	\$67,109.23
Other Postemployment Benefits Payable	1,295,340.00	463,138.00	245,159.00	1,513,319.00	
Total Governmental Activities	\$ 2,409,644.14	\$ 568,301.59	\$ 315,376.16	\$ 2,662,569.57	\$67,109.23

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

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.

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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	\$ 213,213.26	\$
Special Revenue:		
Other		149,180.10
Federal Economic Stimulus		64,033.16
Total	\$ 213,213.26	\$ 213,213.26

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.

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 2013-14 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 10,509,424.00
Categorical Educational Program - Class Size Reduction	2,274,574.00
Energy Conservation and Safety Enhancement (Public Education Capital Outlay)	500,000.00
Workforce Development Program	88,261.00
Classrooms First Program	71,453.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	65,882.54
School Recognition	29,319.00
Discretionary Lottery Funds	19,731.00
Food Service Supplement	18,182.00
Mobile Home License Tax	4,858.89
Miscellaneous	456,403.27
Total	\$ 14,038,088.70

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

2. Property Taxes

The following is a summary of millages and taxes levied on the 2013 tax roll for the 2013-14 fiscal year:

	Millages	Taxes Levied
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.150	\$ 2,224,561.87
Prior Period Funding Adjustment	0.011	4,751.49
Basic Discretionary Local Effort	0.748	323,101.41
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.050	464,608.52
Total	6.959	\$ 3,017,023.29

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	\$ 180,009	\$
Nonmajor Governmental		180,009
Total	\$ 180,009	\$ 180,009

The principal purposes of the interfund transfers are to provide for the transfer of local capital improvement money to pay for property casualty insurance and maintenance salaries.

III. SUBSEQUENT EVENTS

Pursuant to Section 1013.64, Florida Statutes, the District will receive a special allocation of \$7,000,000 in the 2014-15 fiscal year for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund – Special Facility Construction account. The funding will be used for the construction of the new Altha K-8 School. In January 2015, the Board approved a construction management firm for the construction project. As of February 3, 2015, the District had received \$50,000 of the special allocation funding.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2014**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Through State and Local State	\$ 275,000.00	\$ 275,000.00	\$ 305,246.07	\$ 30,246.07
Local:	13,808,366.00	13,808,932.77	13,382,571.16	(426,361.61)
Property Taxes	2,455,612.00	2,455,612.00	2,472,513.21	16,901.21
Miscellaneous	40,800.00	40,800.00	236,199.14	195,399.14
Total Local Revenues	<u>2,496,412.00</u>	<u>2,496,412.00</u>	<u>2,708,712.35</u>	<u>212,300.35</u>
Total Revenues	<u>16,579,778.00</u>	<u>16,580,344.77</u>	<u>16,396,529.58</u>	<u>(183,815.19)</u>
Expenditures				
Current - Education:				
Instruction	10,888,000.00	10,553,071.39	10,425,027.26	128,044.13
Student Personnel Services	529,000.00	722,197.45	714,226.75	7,970.70
Instructional Media Services	286,000.00	301,336.67	291,523.18	9,813.49
Instruction and Curriculum Development Services	350,250.00	365,876.91	345,706.53	20,170.38
Instructional Staff Training Services	21,135.00	13,702.88	8,472.03	5,230.85
Instruction Related Technology	438,300.00	557,783.62	451,212.60	106,571.02
School Board	324,000.00	362,701.72	352,438.47	10,263.25
General Administration	260,000.00	271,923.13	275,254.57	(3,331.44)
School Administration	1,236,300.00	1,177,532.19	1,165,624.02	11,908.17
Facilities Acquisition and Construction	56,500.00	55,798.06	53,438.06	2,360.00
Fiscal Services	406,000.00	483,719.49	474,896.49	8,823.00
Student Transportation Services	1,026,000.00	1,048,337.21	1,024,057.76	24,279.45
Operation of Plant	1,528,000.00	1,397,022.30	1,327,579.31	69,442.99
Maintenance of Plant	380,200.00	367,558.90	326,256.21	41,302.69
Administrative Technology Services	17,000.00	17,000.00	16,980.50	19.50
Community Services				
Fixed Capital Outlay:				
Other Capital Outlay		51,689.85	51,689.85	
Total Expenditures	<u>17,746,685.00</u>	<u>17,747,251.77</u>	<u>17,304,383.59</u>	<u>442,868.18</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,166,907.00)</u>	<u>(1,166,907.00)</u>	<u>(907,854.01)</u>	<u>259,052.99</u>
Other Financing Sources (Uses)				
Transfers In	336,350.00	336,350.00	180,009.00	(156,341.00)
Insurance Loss Recoveries			6,551.65	6,551.65
Transfers Out	(150,000.00)	(150,000.00)		150,000.00
Total Other Financing Sources	<u>186,350.00</u>	<u>186,350.00</u>	<u>186,560.65</u>	<u>210.65</u>
Net Change in Fund Balances	<u>(980,557.00)</u>	<u>(980,557.00)</u>	<u>(721,293.36)</u>	<u>259,263.64</u>
Fund Balances, Beginning	2,909,966.58	2,906,966.58	2,906,966.58	
Fund Balances, Ending	<u>\$ 1,929,409.58</u>	<u>\$ 1,926,409.58</u>	<u>\$ 2,185,673.22</u>	<u>\$ 259,263.64</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)
\$ 1,663,683.60	\$ 1,663,683.60	\$ 1,200,223.01	\$ (463,460.59)	\$ 251,012.39	\$ 251,012.39	\$ 241,445.65	\$ (9,566.74)
<u>1,663,683.60</u>	<u>1,663,683.60</u>	<u>1,200,223.01</u>	<u>(463,460.59)</u>	<u>251,012.39</u>	<u>251,012.39</u>	<u>241,445.65</u>	<u>(9,566.74)</u>
605,160.68	622,842.18	379,886.65	242,955.53	122,340.93	145,536.71	145,536.71	
154,517.68	168,243.89	132,995.91	35,247.98	10.10			
396,496.55	386,595.63	362,395.16	24,200.47	32,527.99			
348,313.96	324,800.12	233,604.71	91,195.41	65,367.22	32,011.75	18,580.00	13,431.75
				13,865.28	19,127.12	19,127.12	
55,140.43	50,071.98	37,311.07	12,760.91	1,101.44	1,031.88	1,031.88	
16,626.36	3,045.42	71.76	2,973.66	15,799.43			
64,644.94	50,271.50	38,830.10	11,441.40				
22,783.00	14,000.00	5,220.00	8,780.00				
	9,907.65	9,907.65			57,169.94	57,169.94	
<u>1,663,683.60</u>	<u>1,629,778.37</u>	<u>1,200,223.01</u>	<u>429,555.36</u>	<u>251,012.39</u>	<u>254,877.40</u>	<u>241,445.65</u>	<u>13,431.75</u>
	33,905.23		(33,905.23)		(3,865.01)		3,865.01
	33,905.23		(33,905.23)		(3,865.01)		3,865.01
<u>\$ 0.00</u>	<u>\$ 33,905.23</u>	<u>\$ 0.00</u>	<u>\$ (33,905.23)</u>	<u>\$ 0.00</u>	<u>\$ (3,865.01)</u>	<u>\$ 0.00</u>	<u>\$ 3,865.01</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	0.0%	\$ 7,297,281	118.07%
October 1, 2010	0	8,247,396	8,247,396	0.0%	6,443,823	127.99%
October 1, 2012	0	6,409,867	6,409,867	0.0%	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, 2014**

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, student 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 BENEFITS

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 a result of benefit charges and other changes in liabilities and costs as discussed below:

- The number of retirees as of the valuation period ending October 1, 2012, receiving postemployment 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 postemployment benefits increased from 185 to 204. These factors increased 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 to 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 percent medical inflation assumed for the plan year 2033 is a total increase of 5.33 percent over the plan year 2032 and for all subsequent years. These changes increased the cost and liability.
- 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

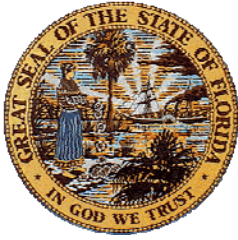
**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	13002	\$ 214,736.95
National School Lunch Program	10.555 (2)	13001, 13003	667,587.23
Total United States Department of Agriculture			882,324.18
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	329,889.47
Special Education - Preschool Grants	84.173	267	31,075.74
Total Special Education Cluster			360,965.21
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	60,479.08
Title I Grants to Local Educational Agencies	84.010	212	570,204.10
Career and Technical Education - Basic Grants to States	84.048	161	57,775.00
Rural Education	84.358	110	40,624.46
Improving Teacher Quality State Grants	84.367	224	110,175.16
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (3)	RL111, RD211, RG311, RG411	241,445.65
Washington County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395 (3)	None	6,991.46
Total United States Department of Education			1,448,660.12
Total Expenditures of Federal Awards			\$ 2,330,984.30

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

(2) Noncash Assistance - National School Lunch Program. Includes \$75,476.91 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act. Total CFDA No. 84.395 expenditures: \$248,437.11.



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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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 3, 2015, 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 District'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 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 report.

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

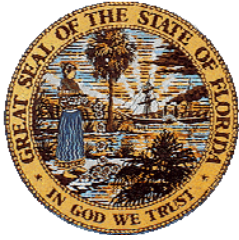
Purpose of this Report

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
February 3, 2015



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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, 2014. The District’s major Federal programs are identified in the **SUMMARY OF AUDITOR’S RESULTS** section of the accompanying **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.

Opinion on Each Major Federal Program

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 major Federal programs for the fiscal year ended June 30, 2014.

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.

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

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

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
February 3, 2015

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.553 and 10.555	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**CALHOUN COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

ADDITIONAL MATTERS

Finding No. 1: Virtual Instruction Program - Provider Background Screenings

Section 1002.45(2)(a)3., Florida Statutes, requires virtual instruction program (VIP) providers to conduct background screenings for all employees or contracted personnel as a condition of approval by the Florida Department of Education (FDOE) as a VIP provider in the State. The District contracted with three FDOE-approved providers.

During the 2013-14 fiscal year, the District enrolled 161 part-time and 72 full-time VIP students. The District’s three VIP providers indicated in their assurances to the FDOE during the approval process that lists of provider employees or contracted personnel subjected to the required screening would be provided to the District. Although District personnel obtained lists of the instructors and contracted personnel from the providers, District personnel indicated that they were unaware they needed to obtain the background screenings from the providers. Subsequent to our inquiries, the District reviewed the background screenings for 25 of 78 providers’ instructors who had been fingerprinted through a shared data base system. As of November 2014, the District had not obtained background screenings for the remaining 53 providers’ instructors.

Without effective controls to ensure that background screenings of VIP provider employees and contracted personnel are performed, there is an increased risk that these individuals may have backgrounds that are inappropriate for interacting with students and accessing confidential or sensitive District data and information technology resources.

Recommendation: The District should ensure that required background screenings are performed timely for all VIP provider employees and contracted personnel.

Finding No. 2: Health Insurance Plan – Participant Eligibility

For the 2013-14 fiscal year, the District contributed monthly \$275 toward the health insurance of each full-time employee, and \$50 toward the health insurance of each eligible retiree pursuant to Section 112.0801, Florida Statutes. District personnel were responsible for deducting the insurance premium costs from employee pay and submitting payments to the fiscal agent for the self-insurance program. Employees may enroll in the District’s health insurance plan during open enrollment periods and make changes to their coverage outside of open enrollment periods for certain qualifying events such as marriage, divorce, death, or birth of a dependent. There were 208 employees who contributed a total of \$742,851.64 and 68 retirees who contributed a total of \$311,564.10 to participate in the District’s health insurance plan, and the District contributed \$1,170,020 toward the plan. Also, 142 dependents participated in the health insurance plan.

District personnel reconciled health insurance billings to current payroll records to ensure that insurance premiums were only for eligible employees. However, the District did not require documentation, such as marriage licenses or birth certificates, evidencing the eligibility of dependents of employees or retirees. Without verifying the eligibility of

dependents covered through the District's health insurance plan, there is an increased risk that dependents receiving insurance coverage may be ineligible participants.

Although employees and retirees are required to pay health insurance premiums for dependent coverage, future premium rates for the District's health insurance plan are based on claims experience. Therefore, claims for an ineligible dependent could result in future increases in health insurance premiums paid by the District for employees' healthcare coverage.

Recommendation: The District should enhance its procedures to require verification of eligibility of dependents covered by the District's health insurance plan.

Finding No. 3: Purchasing Procedures

Board-adopted policies prohibit conflicts of interest and the District had certain procedures to reduce the risk of contractual relationships that cause conflicts of interest. For example, District personnel indicated that the Finance Office maintains a list of employee-owned or close family member businesses, developed from informal discussions with school bookkeepers to identify potential conflicts of interest. The Superintendent, Board members, and Finance Director were required to file a statement of financial interests pursuant to Section 112.3145, Florida Statutes, and District procedures required the Facilities Director, and school principals to file a statement of financial interests. However, these statements of financial interests were not provided to the Finance Department or purchasing agent for review.

Subsequent to our inquiry in October 2014, the Finance Director and Assistant Superintendent reviewed the most recent required statements of financial interests of the Superintendent, Board members, Finance Director, Facilities Director, and school principals and noted no apparent conflicts of interest. Providing for routine review and consideration of required statements of financial interests by the Finance Department or purchasing agent would enhance the District's procurement practices and reduce the risk of questioned procurement transactions or contractual obligations.

Recommendation: The District should provide for routine review of required statements of financial interests by the Finance Department or purchasing agent for consideration in making procurement decisions.

Finding No. 4: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and proviso language in Chapter 2013-40, Laws of Florida, Specific Appropriation 117 required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the FDOE's instructional hours reporting procedures.

FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures also provided that school districts develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance. Additionally, FDOE procedures for reporting instructional hours

state that if a student withdraws and reenrolls in the same class, the institution is to report the student hours from the first date of enrollment to the final withdrawal date or the end of class, whichever is sooner.

For the 2013-14 fiscal year, the District reported to the FDOE 9,036 instructional contact hours for 39 students enrolled in 195 adult general education classes. Our review of 3,520 hours reported for 15 students enrolled in 80 adult general education classes to test the accuracy of the District’s reporting procedures disclosed contact hours were under-reported 691 net hours for 8 students in 38 classes. For students who reenrolled in the same class, District personnel reported actual time the students attended and not attendance from the first date of enrollment until the final withdrawal date or end of the class, contrary to FDOE procedures.

Given the number of errors, the full extent of the class hours misreported was not readily available. Since future funding may be based, in part, on enrollment data reported to the FDOE, it is important that the District reports data correctly.

Recommendation: The District should strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. The District should also determine the extent of adult general hours misreported and contact the FDOE for proper resolution.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2014-111.

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, 2014*

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
2014-111 (1)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Matching, Level of Effort, and Earmarking - Maintenance of Effort	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.	Corrected.	Questioned costs totaling \$113,455.42 were restored to the program as required by the grantor agency.

EXHIBIT A
MANAGEMENT'S RESPONSE

CALHOUN COUNTY SCHOOL DISTRICT

RALPH YODER

Superintendent Of Schools

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

February 3, 2015

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, 2014.

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: Virtual Instruction Program – Provider Background Screenings

The District has established new controls to ensure the background screenings of all VIP provider employees and contracted personnel are performed timely.

Finding No. 2: Health Insurance Plan – Participant Eligibility

The District is in the process of enhancing the procedures to verify the eligibility of all dependents covered by the District's health insurance plan.

Finding No. 3: Purchasing Procedures

The District has enhanced its procedures to include a routine review of required statements of financial interests by the Finance Department for consideration in making procurement decisions.

Finding No. 4: Adult General Education Classes

The District has strengthened its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. The District and FDOE have communicated and a resolution concerning the adult general hours was established.

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

Mr. David W. Martin, CPA
February 3, 2015
Page 2

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,

A handwritten signature in blue ink, appearing to read "Ralph Yoder".

Ralph Yoder, Superintendent
Calhoun County School District