

COLUMBIA COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2011



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2010-11 fiscal year are listed below:

	<u>District No.</u>
Linard Johnson, Vice Chair to 11-15-10, Chair from 11-16-10	1
Charles H. Maxwell	2
Steve Nelson, Vice Chair from 11-16-10	3
William Keith Hudson, Chair to 11-15-10	4
Glenn J. Hunter	5

Michael F. Millikin, 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 Edward A. Waller and the audit was supervised by Cathy L. Bandy, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**COLUMBIA 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 sufficiently evidence that performance assessments of instructional personnel and school administrators were based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes (2010).

Finding No. 2: The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation was based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010), and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes (2010).

Finding No. 3: The District lacked written policies and procedures for certain information technology (IT) functions.

Finding No. 4: The District did not independently test and approve IT program changes or restrict programmers from accessing or updating production data.

Finding No. 5: The District had not implemented procedures to review IT logs of the modification of sensitive or critical tables, files, and transactions.

Finding No. 6: Certain IT security controls related to data loss prevention needed improvement.

Finding No. 7: The District did not have a written security incident response plan.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Part A Cluster; Special Education Cluster; State Fiscal Stabilization Fund Cluster; Educational Technology State Grants Cluster; School Improvement Grant Cluster; Race-to-the-Top Incentive Grants; and Education Jobs Fund 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 the major Federal programs tested, except for the Race-to-the-Top Incentive Grants program. Noncompliance and control deficiency findings are summarized below.

Federal Awards Finding No. 1: The District allocated transportation costs to its Title I program at a higher rate than other non-Title I program services, resulting in \$15,438 of questioned costs.

Federal Awards Finding No. 2: Sign-in/sign-out sheets or other documentation were not maintained to support the hours that two special education program contractors worked, resulting in \$36,500 of questioned costs.

Federal Awards Finding No. 3: The District expended certain funds outside the period of availability for the Race-to-the-Top grant, resulting in \$71,779 of questioned costs.

Audit Objectives and Scope

Our audit objectives were to determine whether the Columbia 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. 2011-112.

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, 2011. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



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AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Columbia County District School Board, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 34 percent of the assets and 98 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Columbia County Public Schools Foundation, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Columbia County District School Board as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Columbia County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Respectfully submitted,



David W. Martin, CPA
November 30, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Columbia County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2011. 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 on pages 9 through 43.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-11 fiscal year are as follows:

- In total, net assets decreased \$804,228 from the 2009-10 fiscal year. This is primarily due to a decrease in capital grants and contributions program revenues.
- General revenues total \$85,908,399, or 93.6 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$5,868,310, or 6.4 percent.
- Expenses total \$92,580,937. Only \$5,868,310 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by \$804,228.
- The total assigned and unassigned portion of the General Fund balance, which represents net current financial resources available for general appropriation by the Board, totals \$3,600,315 at June 30, 2011, or 5.4 percent of total General Fund revenues.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net assets provides information about the District's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the District's financial health. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

The government-wide statements present the District's activities in the following categories:

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents financial information for the Columbia County Public Schools Foundation, Inc., a separate legal entity. Although a legally separate organization, the component unit is

included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

The Columbia School Board Leasing Corporation (Leasing Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

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

Fund Financial Statements

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

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue - Other Fund, Special Revenue – Food Service Fund, Special Revenue – Federal Economic Stimulus Fund, and Capital Projects - Local Capital Improvement 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, such as internal service funds, may be established to account for activities in which a fee is charged for services. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for the Florida IBM AS/400 – TERMS Users' Group Consortium. 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2011, compared to net assets as of June 30, 2010:

	Net Assets, End of Year	
	Governmental	
	Activities	
	6-30-11	6-30-10
Current and Other Assets	\$ 9,451,395	\$ 12,271,133
Capital Assets	113,611,942	113,600,372
Total Assets	123,063,337	125,871,505
Long-Term Liabilities	36,386,526	36,801,822
Other Liabilities	487,861	2,076,505
Total Liabilities	36,874,387	38,878,327
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	84,566,416	83,284,134
Restricted	4,764,773	6,855,188
Unrestricted Deficit	(3,142,239)	(3,146,144)
Total Net Assets	\$ 86,188,950	\$ 86,993,178

The largest portion of the District's net assets (98.1 percent) reflects its investment in capital assets (e.g., land; buildings and fixed equipment; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2011, and June 30, 2010, are as follows:

Operating Results for the Year		
	Governmental Activities	
	6-30-11	6-30-10
Program Revenues:		
Charges for Services	\$ 1,176,791	\$ 1,146,205
Operating Grants and Contributions	3,642,597	3,654,934
Capital Grants and Contributions	1,048,923	2,039,517
General Revenues:		
Property Taxes, Levied for Operational Purposes	17,048,114	17,515,831
Property Taxes, Levied for Capital Projects	3,999,570	4,141,897
Grants and Contributions Not Restricted to Specific Programs	64,055,245	63,324,106
Unrestricted Investment Earnings	29,897	129,514
Miscellaneous	775,572	1,219,692
Total Revenues	91,776,709	93,171,696
Functions/Program Expenses:		
Instruction	48,432,694	50,005,665
Pupil Personnel Services	5,554,810	5,578,693
Instructional Media Services	1,095,355	1,249,182
Instruction and Curriculum Development Services	1,463,718	1,545,415
Instructional Staff Training Services	1,826,767	1,526,041
Instruction Related Technology	1,367,467	713,882
School Board	853,212	282,001
General Administration	974,071	945,673
School Administration	4,323,494	4,093,145
Facilities Acquisition and Construction	684,830	530,710
Fiscal Services	454,036	424,112
Food Services	4,464,598	4,530,279
Central Services	938,288	849,123
Pupil Transportation Services	5,279,939	5,274,551
Operation of Plant	6,687,571	7,182,604
Maintenance of Plant	2,319,774	2,068,310
Administrative Technology Services	920,280	926,863
Community Services	331,782	368,114
Unallocated Interest on Long-Term Debt	1,467,849	1,524,306
Unallocated Depreciation Expense	2,956,991	3,409,163
Loss on Disposal of Capital Assets	183,411	14,881
Total Functions/Program Expenses	92,580,937	93,042,713
Increase (Decrease) in Net Assets	\$ (804,228)	\$ 128,983

The largest revenue source is the State of Florida (53.14 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Capital grants and contributions program revenues decreased significantly due to a decrease of approximately \$1,000,000 in Public Education Capital Outlay (PECO) revenues appropriated by the Legislature.

Instruction expenses represent approximately 52 percent of total governmental expenses for the 2010-11 fiscal year, as compared to the 54 percent those expenses represented in the 2009-10 fiscal year. Even though the overall expenses

for instruction are comparable to the prior fiscal year when compared to total governmental expenses, instruction expenses decreased \$1,572,971 or approximately 3 percent from the prior fiscal year's expenses. The instruction expenses are more in line with the 2008-09 fiscal year expenses, which did not include payments for \$250 bonuses and the national board certification being funded from economic stabilization funds in the 2009-10 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance is \$4,814,374. This increase represents the District's use of restricted funds (including the availability of the economic stimulus funding) versus unrestricted resources, decreasing expenditures of \$2,778,091 and thereby strengthening fund balance.

The Special Revenue – Other and Special Revenue – Federal Economic Stimulus Funds are used to account for Federal grant programs, and allowed expenditures are specified by grant agreements. Since the revenues in these funds are typically equal to amounts expended, there is no ending fund balance.

The Special Revenue – Food Service Fund has a total fund balance of \$1,437,244. It should be noted that \$183,391 is a nonspendable fund balance, while the remaining \$1,253,853 fund balance is restricted.

The Capital Projects – Local Capital Improvement Fund (LCIF) has a total fund balance of \$1,532,102, which is restricted for the acquisition, construction, maintenance of capital assets, purchase of school buses, and the payment of debt service obligations. Fund balance decreased by \$1,179,191 because of a decrease in the capital outlay tax levy millage from 2 mills to 1.5 mills over the past three years and a need to shift expenditures from the PECO Fund to LCIF due to the significant decrease in PECO revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final budgeted revenues and expenditures were generally consistent with originally budgeted amounts. In addition, there were no significant variances between the final budget and actual amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$113,611,943 (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; property under lease-purchase; construction in progress; and audio visual materials and computer software.

Major capital asset events during the current fiscal year include the following:

- Completion of Fort White Middle School 7th and 8th Grade Wings
- Completion of the Niblack Elementary Administration Building
- Portables for Pinemount, Eastside, and Niblack Elementary Schools

Long-Term Debt

At June 30, 2011, the District had total long-term debt outstanding of \$29,045,526. This amount was comprised of \$23,190,000 in certificates of participation payable; \$1,405,000 in bonds payable; \$3,836,451 for notes payable; and \$614,075 for an obligation under lease-purchase.

OTHER MATTERS OF SIGNIFICANCE

The Columbia County School Board continues to face uncertain economic times with future funding and declining enrollment. In light of uncertain economic times, Management and the Board continue to monitor our financial stability while maintaining an optimal level of instruction for our students.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Columbia County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mary Loughran, Director of Finance, Columbia County District School Board, 372 West Duval Street, Lake City, Florida 32055

BASIC FINANCIAL STATEMENTS

COLUMBIA COUNTY DISTRICT SCHOOL BOARD STATEMENT OF NET ASSETS June 30, 2011

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	\$ 7,037,462.77	\$ 103,422.00
Investments	260,104.18	
Accounts Receivable	374,994.99	
Due from Fiscal Agent	404,478.40	
Due from Other Agencies	825,437.06	60.00
Inventories	548,917.21	
Capital Assets:		
Nondepreciable Capital Assets	3,582,967.49	
Depreciable Capital Assets, Net	110,028,975.10	
TOTAL ASSETS	\$ 123,063,337.20	\$ 103,482.00
LIABILITIES		
Salaries and Benefits Payable	\$ 7,799.78	\$
Payroll Deductions and Withholdings	235.61	
Accounts Payable	326,430.88	
Due to Other Agencies	16,345.60	
Estimated Insurance Claims Payable	137,048.89	
Long-Term Liabilities:		
Portion Due Within One Year	2,089,830.31	
Portion Due After One Year	34,296,695.74	
Total Liabilities	36,874,386.81	
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	84,566,416.14	
Restricted for:		
State Required Carryover Programs	159,815.11	
Debt Service	107,489.70	
Capital Projects	2,455,388.03	
Food Service	1,437,244.43	
Other Purposes	604,836.08	68,801.00
Unrestricted	(3,142,239.10)	34,681.00
Total Net Assets	86,188,950.39	103,482.00
TOTAL LIABILITIES AND NET ASSETS	\$ 123,063,337.20	\$ 103,482.00

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

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 48,432,693.83	\$ 65,789.54	\$	\$
Pupil Personnel Services	5,554,809.89			
Instructional Media Services	1,095,354.97			
Instruction and Curriculum Development Services	1,463,718.00			
Instructional Staff Training Services	1,826,767.07			
Instruction Related Technology	1,367,467.36			
School Board	853,211.95			
General Administration	974,071.20			
School Administration	4,323,494.19			
Facilities Acquisition and Construction	684,830.49			778,725.69
Fiscal Services	454,036.15			
Food Services	4,464,597.96	1,030,726.29	3,642,596.57	
Central Services	938,288.20			
Pupil Transportation Services	5,279,938.90	80,275.15		
Operation of Plant	6,687,571.14			
Maintenance of Plant	2,319,774.14			
Administrative Technology Services	920,279.70			
Community Services	331,781.70			
Unallocated Interest on Long-Term Debt	1,467,848.89			270,196.87
Unallocated Depreciation Expense*	2,956,990.71			
Loss on Disposal of Capital Assets	183,410.69			
Total Primary Government	\$ 92,580,937.13	\$ 1,176,790.98	\$ 3,642,596.57	\$ 1,048,922.56
Component Unit				
Columbia County Public Schools Foundation, Inc.	\$ 46,559.00	\$ 0.00	\$ 0.00	\$ 0.00
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				
Property Taxes, Levied for Capital Projects				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

* 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.

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Unit</u>
<u>Activities</u>	
\$ (48,366,904.29)	\$
(5,554,809.89)	
(1,095,354.97)	
(1,463,718.00)	
(1,826,767.07)	
(1,367,467.36)	
(853,211.95)	
(974,071.20)	
(4,323,494.19)	
93,895.20	
(454,036.15)	
208,724.90	
(938,288.20)	
(5,199,663.75)	
(6,687,571.14)	
(2,319,774.14)	
(920,279.70)	
(331,781.70)	
(1,197,652.02)	
(2,956,990.71)	
(183,410.69)	
(86,712,627.02)	
	(46,559.00)
17,048,113.92	
3,999,570.42	
64,055,245.42	49,033.00
29,896.92	
775,572.23	1.00
85,908,398.91	49,034.00
(804,228.11)	2,475.00
86,993,178.50	101,007.00
\$ 86,188,950.39	\$ 103,482.00

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011**

	General Fund	Special Revenue - Other Fund	Special Revenue - Food Service Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 3,210,261.92	\$	\$ 1,282,411.40
Investments	64,129.84		9,260.26
Accounts Receivable	374,994.99		
Due from Fiscal Agent	404,478.40		
Due from Other Funds	712,808.36		
Due from Other Agencies		475,323.84	69,967.09
Inventories	<u>374,786.21</u>		<u>174,131.00</u>
TOTAL ASSETS	<u><u>\$ 5,141,459.72</u></u>	<u><u>\$ 475,323.84</u></u>	<u><u>\$ 1,535,769.75</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 7,799.78	\$	\$
Payroll Deductions and Withholdings	235.61		
Accounts Payable	172,730.84	33,538.94	55,647.93
Due to Other Funds		441,784.90	42,877.39
Due to Other Agencies	9,270.82		
Estimated Insurance Claims Payable	<u>137,048.89</u>		
Total Liabilities	<u>327,085.94</u>	<u>475,323.84</u>	<u>98,525.32</u>
Fund Balances:			
Nonspendable:			
Inventory	374,786.21		174,131.00
Fund B Investments	<u>64,129.84</u>		<u>9,260.26</u>
Total Nonspendable Fund Balance	<u>438,916.05</u>		<u>183,391.26</u>
Restricted for:			
Federal Required Carryover Programs	336,035.02		
State Required Carryover Programs	159,815.11		
Food Service			1,253,853.17
Debt Service			
Capital Projects			
Self Insurance	267,429.51		
Donor Designations	<u>1,371.55</u>		
Total Restricted Fund Balance	<u>764,651.19</u>		<u>1,253,853.17</u>
Committed to:			
Contractual Agreements	<u>10,492.00</u>		
Assigned to:			
Debt Service			
Board Approved Budget Items	286,111.54		
Other	<u>368,690.38</u>		
Total Assigned Fund Balance	<u>654,801.92</u>		
Unassigned Fund Balance	<u>2,945,512.62</u>		
Total Fund Balances	<u>4,814,373.78</u>		<u>1,437,244.43</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 5,141,459.72</u></u>	<u><u>\$ 475,323.84</u></u>	<u><u>\$ 1,535,769.75</u></u>

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

Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 1,536,871.15	\$ 974,966.22	\$ 7,004,510.69
		186,714.08	260,104.18
			374,994.99
			404,478.40
			712,808.36
			825,437.06
280,146.13			548,917.21
<u>280,146.13</u>	<u>1,536,871.15</u>	<u>1,161,680.30</u>	<u>10,131,250.89</u>
\$	\$	\$	\$
			7,799.78
			235.61
44,925.28	4,769.58	14,818.31	326,430.88
228,146.07			712,808.36
7,074.78			16,345.60
			137,048.89
<u>280,146.13</u>	<u>4,769.58</u>	<u>14,818.31</u>	<u>1,200,669.12</u>
			548,917.21
		144,138.17	217,528.27
		<u>144,138.17</u>	<u>766,445.48</u>
			336,035.02
			159,815.11
			1,253,853.17
		116,085.83	116,085.83
	1,532,101.57	779,148.29	2,311,249.86
			267,429.51
			1,371.55
	<u>1,532,101.57</u>	<u>895,234.12</u>	<u>4,445,840.05</u>
			10,492.00
		107,489.70	107,489.70
			286,111.54
			368,690.38
		<u>107,489.70</u>	<u>762,291.62</u>
			<u>2,945,512.62</u>
	<u>1,532,101.57</u>	<u>1,146,861.99</u>	<u>8,930,581.77</u>
\$ 280,146.13	\$ 1,536,871.15	\$ 1,161,680.30	\$ 10,131,250.89

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2011**

Total Fund Balances - Governmental Funds \$ 8,930,581.77

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 113,611,942.59

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. This is the amount of internal service fund net assets. 32,952.08

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Obligation Under Lease-Purchase	\$ 614,075.40	
Bonds Payable	1,405,000.00	
Notes Payable	3,836,451.05	
Certificates of Participation Payable	23,190,000.00	
Other Postemployment Benefits Payable	1,898,498.00	
Compensated Absences Payable	5,442,501.60	
	(36,386,526.05)	

Total Net Assets - Governmental Activities \$ 86,188,950.39

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

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COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

	General Fund	Special Revenue - Other Fund	Special Revenue - Food Service Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 468,770.21	\$	\$
Federal Through State and Local	839,018.63	6,739,141.37	3,569,018.57
State	47,529,220.25		74,377.00
Local:			
Property Taxes	17,048,113.92		
Charges for Services	146,064.69		1,030,726.29
Miscellaneous	712,260.08		2,437.43
Total Revenues	<u>66,743,447.78</u>	<u>6,739,141.37</u>	<u>4,676,559.29</u>
Expenditures			
Current - Education:			
Instruction	41,513,157.89	3,381,962.46	
Pupil Personnel Services	2,841,889.17	1,200,124.50	
Instructional Media Services	1,048,178.15	5,715.90	
Instruction and Curriculum Development Services	692,135.55	727,766.03	
Instructional Staff Training Services	449,392.34	979,360.60	
Instruction Related Technology	52,925.80		
School Board	851,439.60		
General Administration	678,615.65	166,696.13	
School Administration	4,127,534.71		
Facilities Acquisition and Construction	935.00		
Fiscal Services	448,128.33		
Food Services	16,676.48		4,430,198.02
Central Services	851,571.52		
Pupil Transportation Services	4,289,219.17	91,783.11	
Operation of Plant	5,987,749.81	2,714.50	
Maintenance of Plant	2,252,141.70		
Administrative Technology Services	411,931.36		
Community Services	329,418.57		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	20,415.02		
Other Capital Outlay	90,367.11	183,018.14	46,659.12
Debt Service:			
Principal			
Interest and Fiscal Charges	36,778.65		
Total Expenditures	<u>66,990,601.58</u>	<u>6,739,141.37</u>	<u>4,476,857.14</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(247,153.80)</u>		<u>199,702.15</u>
Other Financing Sources (Uses)			
Transfers In	613,100.77		
Refunding Notes Issued	2,257,400.00		
Payment to Refunding Bond Escrow Agent	(2,214,769.64)		
Insurance Loss Recoveries	61,699.60		
Transfers Out			
Total Other Financing Sources (Uses)	<u>717,430.73</u>		
Net Change in Fund Balances	470,276.93		199,702.15
Fund Balances, Beginning	4,344,096.85		1,237,542.28
Fund Balances, Ending	<u>\$ 4,814,373.78</u>	<u>\$ 0.00</u>	<u>\$ 1,437,244.43</u>

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

Special Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
7,977,628.82			468,770.21
		1,194,869.35	19,124,807.39
	3,999,570.42		48,798,466.60
	25,915.56	2,620.58	21,047,684.34
			1,176,790.98
			743,233.65
7,977,628.82	4,025,485.98	1,197,489.93	91,359,753.17
2,904,882.13			47,800,002.48
1,471,441.48			5,513,455.15
35,553.10			1,089,447.15
32,000.78			1,451,902.36
386,198.49			1,814,951.43
1,308,633.74			1,361,559.54
			851,439.60
122,851.60			968,163.38
160,512.56			4,288,047.27
	169,311.46	514,584.03	684,830.49
			448,128.33
			4,446,874.50
80,808.86			932,380.38
304,928.17			4,685,930.45
673,475.55			6,663,939.86
55,816.80			2,307,958.50
91,458.21			503,389.57
			329,418.57
	2,537,794.62	240,036.47	2,798,246.11
349,067.35	209,678.66	39,404.60	918,194.98
	1,037,697.90	275,000.00	1,312,697.90
	1,250,194.70	181,289.36	1,468,262.71
7,977,628.82	5,204,677.34	1,250,314.46	92,639,220.71
	(1,179,191.36)	(52,824.53)	(1,279,467.54)
			613,100.77
			2,257,400.00
			(2,214,769.64)
			61,699.60
		(613,100.77)	(613,100.77)
		(613,100.77)	104,329.96
	(1,179,191.36)	(665,925.30)	(1,175,137.58)
	2,711,292.93	1,812,787.29	10,105,719.35
\$ 0.00	\$ 1,532,101.57	\$ 1,146,861.99	\$ 8,930,581.77

**COLUMBIA 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, 2011**

Net Change in Fund Balances - Governmental Funds **\$ (1,175,137.58)**

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current fiscal year. 194,981.03

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (183,410.69)

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds in the current period.

Inception of Notes Payable	\$ (2,257,400.00)	
Repayments:		
Obligation Under Lease-Purchase	103,071.28	
Notes Payable	265,040.44	
Bonds Payable	2,490,000.00	
Certificates of Participation Payable	670,000.00	1,270,711.72

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year. (264,634.17)

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. (590,782.00)

Internal service funds are used by management to charge the cost of certain activities, such as to individual funds. The net revenue of internal service funds (net of depreciation expense) is reported with governmental activities. (55,956.42)

Change in Net Assets - Governmental Activities **\$ (804,228.11)**

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

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
June 30, 2011**

Governmental Activities -
Internal
Service
Fund

ASSETS

Current Assets:

Cash and Cash Equivalents	<u>\$ 32,952.08</u>
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NET ASSETS

Unrestricted	<u>\$ 32,952.08</u>
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The accompanying notes to financial statements are an integral part of this statement.

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2011**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Revenues from Member Districts	\$ 354,720.35
OPERATING EXPENSES	
Salaries	75,361.00
Employee Benefits	18,816.43
Purchased Services	316,804.88
Depreciation	359.00
Total Operating Expenses	411,341.31
Operating Loss	(56,620.96)
NONOPERATING REVENUES	
Interest Revenue	305.54
Change in Net Assets	(56,315.42)
Total Net Assets - Beginning	89,267.50
Total Net Assets - Ending	\$ 32,952.08

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

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2011**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Member Districts	\$ 354,720.35
Cash Payments to Suppliers for Goods and Services	(316,804.88)
Cash Payments to Employees for Services	(94,177.43)
Net Cash Used by Operating Activities	<u>(56,261.96)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	305.54
Net Increase in Cash and Cash Equivalents	(55,956.42)
Cash and Cash Equivalents, Beginning	88,908.50
Cash and Cash Equivalents, Ending	<u><u>\$ 32,952.08</u></u>

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:

Operating Loss	\$ (56,620.96)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	359.00
Net Cash Used by Operating Activities	<u><u>\$ (56,261.96)</u></u>

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

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2011**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>622,183.80</u>
LIABILITIES	
Accounts Payable	\$ 19,817.55
Internal Accounts Payable	<u>602,366.25</u>
TOTAL LIABILITIES	<u>\$ 622,183.80</u>

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

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Columbia 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 Columbia County School District (District) is considered part of the Florida system of public education. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Columbia County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on the application of these criteria, the following component units are included within the District's reporting entity:

- **Blended Component Unit.** The Columbia School Board Leasing Corporation (Leasing Corporation), was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 7. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- **Discretely Presented Component Unit.** The component unit columns in the government-wide financial statements include the financial data of the District's other component unit.

The Columbia County Public Schools Foundation, Inc. (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

The financial data reported on the accompanying statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2011. The audit reports are filed in the District's administrative offices.

➤ **Basis of Presentation**

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

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the pupil transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

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

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

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

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 – Food Service Fund – to account for the financial resources of the District's food service program.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA) and other Federal stimulus programs.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

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

- Internal Service Fund – to account for the resources of the Florida IBM AS/400-TERMS Users' Group Consortium, for which the District is the predominant user and serves as the fiscal agent.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

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

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary fund and fiduciary funds financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Proprietary funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989, and applicable standards issued by the GASB. 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 revenues from member districts. Operating expenses include personnel costs and purchased information technology services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in governmental funds, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

The Columbia County Public Schools Foundation, Inc., is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

➤ **Deposits and Investments**

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

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

Investments consist of amounts placed in SBA Debt Service accounts for investment of debt service moneys and amounts placed with SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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

The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2011, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.78965331 at June 30, 2011. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at 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 purchased during the year, and are adjusted at year-end to reflect year-end physical inventories.

➤ **Capital Assets**

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

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	12 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	3 - 20 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same educational programs. The Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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

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

➤ **District Property Taxes**

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

**COLUMBIA COUNTY
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JUNE 30, 2011**

The Board adopted the 2010 tax levy on September 14, 2010. 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 Columbia 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.

➤ **Federal Revenue Sources**

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- 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.

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

3. INVESTMENTS

As of June 30, 2011, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	31 Day Average	\$ 66,672.10
Fund B Surplus Funds Trust Fund (Fund B)	7.16 Year Average	217,528.27
Debt Service Accounts	6 Months	42,575.91
Total Investments, Primary Government		<u>\$ 326,776.28</u>

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

Interest Rate Risk

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 31 days at June 30, 2011. 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 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, 2011, is estimated at 7.16 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

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 State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that further limits its investment choices.
- The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.
- As of June 30, 2011, the District's investment in Florida PRIME is rated AAAM by Standard & Poor's. Fund B is unrated.

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 2,837,679.72	\$ 450.00	\$	\$ 2,838,129.72
Construction in Progress	2,120,876.38	2,791,162.11	4,167,200.72	744,837.77
Total Capital Assets Not Being Depreciated	4,958,556.10	2,791,612.11	4,167,200.72	3,582,967.49
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,047,168.42	6,634.00		3,053,802.42
Buildings and Fixed Equipment	142,196,057.36	4,167,200.72		146,363,258.08
Furniture, Fixtures, and Equipment	6,210,138.80	648,780.72	1,742,176.66	5,116,742.86
Motor Vehicles	7,763,579.94	95,048.30	202,093.00	7,656,535.24
Property Under Lease-Purchase	2,259,698.08			2,259,698.08
Audio Visual Materials and Computer Software	1,350,466.57	174,365.96		1,524,832.53
Total Capital Assets Being Depreciated	162,827,109.17	5,092,029.70	1,944,269.66	165,974,869.21
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,659,751.10	151,376.74		1,811,127.84
Buildings and Fixed Equipment	40,252,316.14	2,461,683.00		42,713,999.14
Furniture, Fixtures, and Equipment	5,054,519.25	259,672.66	1,558,765.97	3,755,425.94
Motor Vehicles	5,430,190.74	564,469.35	202,093.00	5,792,567.09
Property Under Lease-Purchase	542,327.52	45,193.96		587,521.48
Audio Visual Materials and Computer Software	1,246,188.27	39,064.35		1,285,252.62
Total Accumulated Depreciation	54,185,293.02	3,521,460.06	1,760,858.97	55,945,894.11
Total Capital Assets Being Depreciated, Net	108,641,816.15	1,570,569.64	183,410.69	110,028,975.10
Governmental Activities Capital Assets, Net	\$ 113,600,372.25	\$ 4,362,181.75	\$ 4,350,611.41	\$ 113,611,942.59

The class of property under lease-purchase is presented in Note 5.

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 564,469.35
Unallocated	2,956,990.71
Total Depreciation Expense - Governmental Activities	<u>\$ 3,521,460.06</u>

5. OBLIGATION UNDER LEASE-PURCHASE

An energy management system and related equipment with an asset balance of \$2,259,698.08 are being acquired under a lease-purchase agreement.

Future minimum lease-purchase payments and the present value of the minimum lease payments as of June 30 are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2012	\$ 145,382.94	\$ 109,152.49	\$ 36,230.45
2013	145,382.93	115,592.48	29,790.45
2014	145,382.94	122,412.44	22,970.50
2015	145,382.93	129,634.77	15,748.16
2016	145,382.93	137,283.22	8,099.71
Total Minimum Lease Payments	<u>\$ 726,914.67</u>	<u>\$ 614,075.40</u>	<u>\$ 112,839.27</u>

The stated interest rate is 5.9 percent.

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

6. NOTES PAYABLE

Notes payable are comprised of the following:

	Balance at June 30
<u>LaSalle National Bank</u>	
 \$4,750,394.02, Borrowed 11-10-1998, Under Provisions of Section 1013.23, Florida Statutes. Interest Rate of 5.9 Percent. Proceeds Used to Finance Renovations, Water Conservation Measures, and Refuse Reduction measures, and to Refinance Phase I of the Energy Savings contract. Repayment is to be Made Over a 17-Year Period Ending in 2016.	 \$ 1,579,051.05
 <u>First Federal Bank of Florida</u>	
 \$2,257,400, Borrowed 11-1-2010, Under Provisions of Chapter 30469, Laws of Florida (1955); Chapter 72-510, Laws of Florida (1972); Chapter 550, Florida Statutes; Section 212.20, Florida Statutes; Chapter 1001, Florida Statutes; and a Final Judgment, dated April 30, 1998, of the Circuit Court of the Third Circuit in and for Columbia County, Florida. Interest Rate of 3.2475 Percent. Proceeds Used to refund the 1998 District Revenue Bonds. Repayment is to be made over a 17-Year Period Ending in 2027.	 <u>2,257,400.00</u>
 Total Notes Payable	 <u><u>\$ 3,836,451.05</u></u>

The District has pledged as sole security for the 2010 note payable, the entire annual distribution of pari-mutuel tax proceeds of \$223,250, which is remitted by the Florida Department of Financial Services to the District. The pledged revenue is committed until final maturity of the debt, or December 1, 2027. Approximately 79 percent of this revenue stream has been pledged in connection with debt service on the note payable. The annual distribution is remitted by the Florida Department of Financial Services to the District.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Amounts payable for the planned extended repayment of the Chapter 72-510, Laws of Florida (1972), and Section 1013.23, Florida Statutes, bank loans are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2012	\$ 447,351.75	\$ 280,677.82	\$ 166,673.93
2013	447,150.91	297,237.82	149,913.09
2014	498,800.77	367,274.84	131,525.93
2015	571,865.16	461,846.56	110,018.60
2016	571,898.68	485,614.01	86,284.67
2017-2021	978,312.46	719,800.00	258,512.46
2022-2026	975,724.27	843,700.00	132,024.27
2027-2028	392,775.95	380,300.00	12,475.95
Total	<u>\$ 4,883,879.95</u>	<u>\$ 3,836,451.05</u>	<u>\$ 1,047,428.90</u>

7. CERTIFICATES OF PARTICIPATION

The District entered into a financing arrangement on July 11, 2007, which arrangement was characterized as a lease-purchase agreement, with the Columbia School Board Leasing Corporation whereby the District secured financing of various educational facilities in the total amount of \$25,685,000. The financing was accomplished through the issuance of Certificates of Participation, Series 2007, to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Columbia School Board Leasing Corporation, with a rental fee of \$10 per year. The initial term of the lease is 25 years commencing on July 1, 2007. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the ground lease agreement for the benefit of the securers of the certificates.

The District properties included in the ground lease under this arrangement include the Pinemount Elementary School, the middle school addition at Ft. White High School, and additions, renovations, and upgrades to Columbia High School.

The lease payments are payable by the District semiannually, on July 1 and January 1 at interest rates ranging from 4.0 to 5.0 percent. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

**COLUMBIA COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,770,287.50	\$ 700,000.00	\$ 1,070,287.50
2013	1,767,287.50	725,000.00	1,042,287.50
2014	1,768,287.50	755,000.00	1,013,287.50
2015	1,767,332.50	785,000.00	982,332.50
2016	1,770,147.50	820,000.00	950,147.50
2017-2021	8,843,055.02	4,645,000.00	4,198,055.02
2022-2026	7,078,340.04	4,520,000.00	2,558,340.04
2027-2031	8,844,025.00	6,950,000.00	1,894,025.00
2032	<u>3,618,919.75</u>	<u>3,290,000.00</u>	<u>328,919.75</u>
Total Minimum Lease Payments	<u>\$ 37,227,682.31</u>	<u>\$ 23,190,000.00</u>	<u>\$ 14,037,682.31</u>

8. BONDS PAYABLE

Bonds payable at June 30, 2011, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2005A	\$ 1,255,000	5.0	2017
Series 2005B, Refunding	<u>150,000</u>	5.0	2018
Total Bonds Payable	<u>\$ 1,405,000</u>		

The various bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

➤ State School Bonds

These bonds are issued by the State Board of Education on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the State Board of Education and the State Board of Administration.

**COLUMBIA COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2012	\$ 270,250.00	\$ 200,000.00	\$ 70,250.00
2013	270,250.00	210,000.00	60,250.00
2014	274,750.00	225,000.00	49,750.00
2015	283,500.00	245,000.00	38,500.00
2016	271,250.00	245,000.00	26,250.00
2017-2018	294,250.00	280,000.00	14,250.00
Total	<u>\$ 1,664,250.00</u>	<u>\$ 1,405,000.00</u>	<u>\$ 259,250.00</u>

9. 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					
Obligations Under Lease - Purchase	\$ 717,146.68	\$	\$ 103,071.28	\$ 614,075.40	\$ 109,152.49
Notes Payable	1,844,091.49	2,257,400.00	265,040.44	3,836,451.05	280,677.82
Bonds Payable	3,895,000.00		2,490,000.00	1,405,000.00	200,000.00
Certificates of Participation Payable	23,860,000.00		670,000.00	23,190,000.00	700,000.00
Compensated Absences Payable	5,177,867.43	1,135,761.74	871,127.57	5,442,501.60	800,000.00
Other Postemployment Benefits Payable	1,307,716.00	1,176,271.00	585,489.00	1,898,498.00	
Total Governmental Activities	<u>\$ 36,801,821.60</u>	<u>\$ 4,569,432.74</u>	<u>\$ 4,984,728.29</u>	<u>\$ 36,386,526.05</u>	<u>\$ 2,089,830.31</u>

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

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 712,808.36	\$
Special Revenue:		
Other		441,784.90
Food Service		42,877.39
Federal Economic Stimulus		228,146.07
Total	<u>\$ 712,808.36</u>	<u>\$ 712,808.36</u>

Interfund receivables and payables include indirect cost recoveries from Federal programs and amounts due for expenditures paid by a particular fund on behalf of another fund. These amounts are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 613,100.77	\$
Nonmajor Governmental		613,100.77
Total	<u>\$ 613,100.77</u>	<u>\$ 613,100.77</u>

Interfund transfers were to move residual unrestricted funds available before refunding the Series 1998, District Revenue Bonds and to move restricted capital outlay revenues to offset eligible expenditures for maintenance salaries.

11. FUND BALANCE REPORTING

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Types Definitions*, for the fiscal year ended June 30, 2011. The objective of the statement is to improve the usefulness and understanding of fund balance information for users of the financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

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

➤ **Nonspendable**

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

**COLUMBIA COUNTY
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JUNE 30, 2011**

include inventory, prepaid amounts, long-term amounts of loans and notes receivable, and property acquired for resale. The District classifies its amounts reported as inventories as nonspendable and the amounts held in the State Board of Administration (SBA) Fund B investment pool as nonspendable due to the withdrawal restrictions placed on these funds by the SBA.

➤ **Restricted**

The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than General Fund as restricted, as well as unspent State categorical and earmarked educational funding, Federal required carryover funding, self-insurance, and donor endowment funding.

➤ **Committed**

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District reports amounts that are contractually binding as approved by the Board as a committed fund balance at June 30, 2011.

➤ **Assigned**

The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Finance Officer and Board approval and not included in other categories.

➤ **Unassigned**

The portion of fund balance that is 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.

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2010-11 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 36,033,689.00
Categorical Educational Program - Class Size Reduction	10,324,685.00
Gross Receipts Tax (Public Education Capital Outlay)	627,252.74
Motor Vehicle License Tax (Capital Outlay and Debt Service)	349,543.14
School Recognition	347,057.00
Workforce Development Program	310,640.00
Food Service Supplement	73,578.00
Discretionary Lottery Funds	34,697.00
Mobile Home License Tax	34,554.72
Miscellaneous	<u>662,770.00</u>
Total	<u><u>\$ 48,798,466.60</u></u>

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

13. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2010 tax roll for the 2010-11 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.414	\$ 14,636,943.13
Basic Discretionary Local Effort	0.748	2,022,284.45
Critical Operating Needs	0.250	675,883.84
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.500</u>	<u>4,055,300.70</u>
Total	<u><u>7.912</u></u>	<u><u>\$ 21,390,412.12</u></u>

14. FLORIDA RETIREMENT SYSTEM

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

**COLUMBIA COUNTY
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JUNE 30, 2011**

programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

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

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

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

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2010-11 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Elected County Officers	0.00	18.64
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of PEORP.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions to the Plan for

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

the fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled \$4,755,753.17, \$4,696,670.07, and \$5,023,853.72, respectively, which were equal to the required contributions for each fiscal year. There were 162 PEORP participants during the 2010-11 fiscal year. Required contributions made to PEORP totaled \$460,947.53.

The financial statements and other supplementary information of FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained from the Florida Department of Financial Services. Also, an annual report on FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

Effective July 1, 2011, all members of the FRS, except for DROP participants and reemployed retirees who are not eligible for renewed membership, are required to contribute 3 percent of compensation to the FRS.

15. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or another entity.

Funding Policy. Plan contribution requirements of the District and Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2010-11 fiscal year, 86 retirees received other postemployment benefits. The District provided required contributions of \$585,489 toward the annual OPEB cost, net of retiree contributions totaling \$649,663, which represents 1.36 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 Plan, and changes in the District's net OPEB obligation:

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Description	Amount
Normal Cost (service cost for one year)	\$ 760,267
Amortization of Unfunded Actuarial Accrued Liability	393,643
Interest on Normal Cost and Amortization	<u>15,386</u>
Annual Required Contribution	1,169,296
Interest on Net OPEB Obligation	52,309
Adjustment to Annual Required Contribution	<u>(45,334)</u>
Annual OPEB Cost (Expense)	1,176,271
Contribution Toward the OPEB Cost	<u>(585,489)</u>
Increase in Net OPEB Obligation	590,782
Net OPEB Obligation, Beginning of Year	<u>1,307,716</u>
Net OPEB Obligation, End of Year	<u><u>\$ 1,898,498</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2011, and the preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	\$ 1,061,236	36%	\$ 675,678
2009-10	1,108,149	43%	1,307,716
2010-11	1,176,271	50%	1,898,498

Funded Status and Funding Progress. As of March 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$11,809,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$11,809,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$47,725,373, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 24.74 percent.

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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 March 1, 2011, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2011, to estimate the District's 2010-11 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 6.4 percent initially for the 2009-10 fiscal year, reduced by various percentages each year, to an ultimate rate of 4.9 percent after 75 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period is 30 years.

16. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Encumbrances. Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year's appropriations are likewise encumbered. The following is a schedule of encumbrances at June 30, 2011:

Major Funds						
General	Special Revenue - Other	Special Revenue - Food Service	Revenue - Federal Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 368,690	\$ 52,874	\$ 45,049	\$ 5,714	\$ 732,698	\$ 38,850	\$ 1,243,875

Construction Contracts. The following is a summary of major construction contract commitments remaining at fiscal year-end:

Project	Contract Amount	Completed to Date	Balance Committed
Fort White Middle School: Dining/Multi-Purpose Building Additions			
Architect	\$ 62,048.00	\$ 58,945.60	\$ 3,102.40
Contractor	634,891.67	478,848.01	156,043.66
Total	\$ 696,939.67	\$ 537,793.61	\$ 159,146.06

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

17. CONSORTIUM

The District is a member of, and the fiscal agent for, the Florida IBM AS/400-TERMS Users' Group Consortium (Consortium). The Consortium is an association of several school districts. The purpose of the Consortium is to identify common needs, concerns, and strategies to the automation of the school system data. Financial activities are accounted for in an internal service fund. Since the District is the predominant participant in the consortium the District has established an internal service fund to account for the Consortium's resources and operations.

18. 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 Columbia County District School Board is a member of the North East Florida Educational 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, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Putnam County District School Board serves as fiscal agent for the Consortium.

Health and hospitalization coverage is being provided through purchased commercial insurance with minimum deductibles for each line of coverage. The District also participates in a supplemental employee group insurance program administered through the Consortium for life, dental, vision, disability, and accidental death and dismemberment. Premiums charged for these supplemental programs 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.

The claims liability of \$137,048.89 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2011. The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insurance program:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2009-10	\$ 72,340.06	\$ 1,048,413.84	\$ (983,705.01)	\$ 137,048.89
2010-11	137,048.89	970,030.85	(970,030.85)	137,048.89

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2011**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 657,314.53	\$ 468,770.21	\$ 468,770.21	\$
Federal Through State and Local	500,000.00	839,018.63	839,018.63	
State	49,544,610.00	47,529,220.25	47,529,220.25	
Local:				
Property Taxes	16,692,977.00	17,048,113.92	17,048,113.92	
Charges for Services		146,064.69	146,064.69	
Miscellaneous	780,596.75	712,260.08	712,260.08	
Total Revenues	68,175,498.28	66,743,447.78	66,743,447.78	
Expenditures				
Current - Education:				
Instruction	42,896,024.75	41,513,157.89	41,513,157.89	
Pupil Personnel Services	2,305,970.00	2,841,889.17	2,841,889.17	
Instructional Media Services	1,112,983.28	1,048,178.15	1,048,178.15	
Instruction and Curriculum Development Services	692,736.90	692,135.55	692,135.55	
Instructional Staff Training Services	397,000.00	449,392.34	449,392.34	
Instruction Related Technology	110,000.00	52,925.80	52,925.80	
School Board	280,228.00	851,439.60	851,439.60	
General Administration	604,700.62	678,615.65	678,615.65	
School Administration	4,073,126.65	4,127,534.71	4,127,534.71	
Facilities Acquisition and Construction	25,000.00	935.00	935.00	
Fiscal Services	474,000.89	448,128.33	448,128.33	
Food Services		16,676.48	16,676.48	
Central Services	807,618.00	851,571.52	851,571.52	
Pupil Transportation Services	4,350,336.30	4,289,219.17	4,289,219.17	
Operation of Plant	6,681,717.10	5,987,749.81	5,987,749.81	
Maintenance of Plant	2,354,941.93	2,252,141.70	2,252,141.70	
Administrative Technology Services	346,964.00	411,931.36	411,931.36	
Community Services	365,754.82	329,418.57	329,418.57	
Fixed Capital Outlay:				
Facilities Acquisition and Construction		20,415.02	20,415.02	
Other Capital Outlay		90,367.11	90,367.11	
Debt Service:				
Interest and Fiscal Charges		36,778.65	36,778.65	
Total Expenditures	67,879,103.24	66,990,601.58	66,990,601.58	
Excess (Deficiency) of Revenues Over Expenditures	296,395.04	(247,153.80)	(247,153.80)	
Other Financing Sources (Uses)				
Transfers In	300,000.00	613,100.77	613,100.77	
Refunding Notes Issued		2,257,400.00	2,257,400.00	
Payment to Refunding Bond Escrow Agent		(2,214,769.64)	(2,214,769.64)	
Insurance Loss Recoveries	20,000.00	61,699.60	61,699.60	
Total Other Financing Sources (Uses)	320,000.00	717,430.73	717,430.73	
Net Change in Fund Balances	616,395.04	470,276.93	470,276.93	
Fund Balances, Beginning	4,344,096.85	4,344,096.85	4,344,096.85	
Fund Balances, Ending	\$ 4,960,491.89	\$ 4,814,373.78	\$ 4,814,373.78	\$ 0.00

Special Revenue - Other Fund				Special Revenue - Food Service Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 1,808,991.48	\$ 6,739,141.37	\$ 6,739,141.37	\$	\$ 3,426,067.92 73,900.00	\$ 3,569,018.57 74,377.00	\$ 3,569,018.57 74,377.00	\$
				1,015,500.00 15,000.00	1,030,726.29 2,437.43	1,030,726.29 2,437.43	
1,808,991.48	6,739,141.37	6,739,141.37		4,530,467.92	4,676,559.29	4,676,559.29	
625,829.21	3,381,962.46	3,381,962.46					
24,142.49	1,200,124.50	1,200,124.50					
	5,715.90	5,715.90					
50,362.10	727,766.03	727,766.03					
1,055,901.68	979,360.60	979,360.60					
47,086.01	166,696.13	166,696.13					
				4,543,178.00	4,430,198.02	4,430,198.02	
5,669.99	91,783.11 2,714.50	91,783.11 2,714.50					
	183,018.14	183,018.14			46,659.12	46,659.12	
1,808,991.48	6,739,141.37	6,739,141.37		4,543,178.00	4,476,857.14	4,476,857.14	
				(12,710.08)	199,702.15	199,702.15	
				(12,710.08)	199,702.15	199,702.15	
				1,237,542.28	1,237,542.28	1,237,542.28	
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 1,224,832.20	\$ 1,437,244.43	\$ 1,437,244.43	\$ 0.00

COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS (Continued)
For the Fiscal Year Ended June 30, 2011

	Special Revenue - Federal Economic Stimulus Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$	\$	\$	\$
Federal Through State and Local State	5,400,071.86	7,977,628.82	7,977,628.82	
Local:				
Property Taxes				
Charges for Services				
Miscellaneous				
Total Revenues	<u>5,400,071.86</u>	<u>7,977,628.82</u>	<u>7,977,628.82</u>	
Expenditures				
Current - Education:				
Instruction	2,002,356.86	2,904,882.13	2,904,882.13	
Pupil Personnel Services	1,304,432.98	1,471,441.48	1,471,441.48	
Instructional Media Services		35,553.10	35,553.10	
Instruction and Curriculum Development Services	14,823.72	32,000.78	32,000.78	
Instructional Staff Training Services	563,626.73	386,198.49	386,198.49	
Instruction Related Technology	629,904.63	1,308,633.74	1,308,633.74	
School Board				
General Administration	89,255.49	122,851.60	122,851.60	
School Administration		160,512.56	160,512.56	
Facilities Acquisition and Construction				
Fiscal Services				
Food Services				
Central Services	37,500.00	80,808.86	80,808.86	
Pupil Transportation Services	75,008.75	304,928.17	304,928.17	
Operation of Plant	511,713.70	673,475.55	673,475.55	
Maintenance of Plant		55,816.80	55,816.80	
Administrative Technology Services	171,449.00	91,458.21	91,458.21	
Community Services				
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay		349,067.35	349,067.35	
Debt Service:				
Interest and Fiscal Charges				
Total Expenditures	<u>5,400,071.86</u>	<u>7,977,628.82</u>	<u>7,977,628.82</u>	
Excess (Deficiency) of Revenues Over Expenditures				
Other Financing Sources (Uses)				
Transfers In				
Refunding Notes Issued				
Payment to Refunding Bond Escrow Agent				
Insurance Loss Recoveries				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances				
Fund Balances, Beginning				
Fund Balances, Ending	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
March 1, 2009	\$ 0	\$ 10,339,679	\$ 10,339,679	0.0%	\$ 50,759,127	20.4%
March 1, 2011	0	11,809,000	11,809,000	0.0%	47,725,373	24.7%

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011**

1. BUDGETARY BASIS OF ACCOUNTING

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 705,049.56
National School Lunch Program	10.555	300, 350	2,502,392.44
Summer Food Service Program for Children	10.559	323	68,450.57
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	<u>255,605.00</u>
Total Child Nutrition Cluster			<u>3,531,497.57</u>
Florida Department of Financial Services:			
Secure Payments for States and Counties Containing Federal Lands	10.665	None	<u>149,905.18</u>
Total United States Department of Agriculture			<u>3,681,402.75</u>
United States Department of Labor:			
Indirect:			
Florida Department of Education:			
Incentive Grants - WIA Section 503	17.267	None	<u>87,246.36</u>
United States Department of Education:			
Direct:			
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	80,386.76
Fund for the Improvement of Education	84.215	N/A	<u>336,029.79</u>
Total Direct			416,416.55
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	1,745,251.46
Special Education - Preschool Grants	84.173	267	114,959.83
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	1,126,226.82
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	<u>56,926.00</u>
Total Special Education Cluster			3,043,364.11
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	3,034,886.88
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 226	<u>273,935.71</u>
Total Title I, Part A Cluster			3,308,822.59
Education for Homeless Children and Youth Cluster:			
Florida Department of Education:			
Education for Homeless Children and Youth	84.196	127	38,830.75
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	<u>23,978.18</u>
Total Education for Homeless Children and Youth Cluster			62,808.93
Educational Technology State Grants Cluster:			
Florida Department of Education:			
Education Technology State Grants	84.318	121	1,764.54
ARRA - Education Technology State Grants, Recovery Act	84.386	121, 122	<u>754,849.24</u>
Total Educational Technology State Grants Cluster			756,613.78
School Improvement Grant Cluster:			
Florida Department of Education:			
School Improvement Grants	84.377	126	18,479.22
ARRA - School Improvement Grants, Recovery Act	84.388	126	<u>618,051.12</u>
Total School Improvement Grant Cluster			636,530.34

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2011**

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 Education (Continued):			
State Fiscal Stabilization Fund Cluster:			
Florida Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	\$ 2,952,191.00
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	58,941.00
Putnam County District School Board:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	None	<u>92,957.50</u>
Total State Stabilization Fund Cluster			<u>3,104,089.50</u>
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 193	129,851.60
Career and Technical Education - Basic Grants to States	84.048	151, 161	239,944.14
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	87.68
Even Start - State Educational Agencies	84.213	219	194,855.00
Twenty-First Century Community Learning Centers	84.287	244	380,374.26
Transition to Teaching	84.350	227	74,120.52
Rural Education	84.358	110	131,328.01
Improving Teacher Quality State Grants	84.367	224	618,513.17
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111	210,637.75
Education Jobs Fund	84.410	541	1,901,892.00
Putnam County District School Board:			
Early Reading First	84.359	None	<u>58,901.01</u>
Total Indirect			<u>14,852,734.39</u>
Total United States Department of Education			<u>15,269,150.94</u>
Corporation for National and Community Service:			
Indirect:			
Florida Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	234	<u>15,894.31</u>
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	<u>52,353.66</u>
Total Expenditures of Federal Awards			<u>\$ 19,106,048.02</u>

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

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
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PHONE: 850-488-5534
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Columbia County District School Board as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Columbia County District School Board's financial statements. For the school internal funds and the discretely presented component unit, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
November 30, 2011



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Compliance

We have audited the Columbia County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2011. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in Federal Awards Finding No. 3 in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, the District did not comply with requirements regarding Period of Availability that are applicable to its ARRA-State Fiscal Stabilization Fund – Race-to-the-Top program. Compliance with such requirements is necessary, in our opinion, for the District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the 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, 2011. The results of our auditing procedures also disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB *Circular A-133* and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1 and 2.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness and a deficiency that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 3 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 2 to be a significant deficiency.

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

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

Respectfully submitted,



David W. Martin, CPA
November 30, 2011

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes

Type of report the auditor issued on compliance for major programs: Unqualified for all major programs, except for ARRA – State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants, Recovery Act

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB *Circular A-133*? Yes

Identification of major programs:

Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 - ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 - ARRA, and 84.392 - ARRA); Educational Technology State Grants Cluster (CFDA Nos. 84.318 and 84.386 - ARRA); School Improvement Grant Cluster (CFDA Nos. 84.377 and 84.388 - ARRA); ARRA - State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 - ARRA and 84.397 - ARRA); ARRA - State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395 - ARRA); and Education Jobs Fund (CFDA No. 84.410)

Dollar threshold used to distinguish between Type A and Type B programs: \$573,181

Auditee qualified as low-risk auditee? Yes

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

ADDITIONAL MATTERS

Finding No. 1: Performance Assessments

Section 1012.34(3), Florida Statutes (2010),¹ required the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of employees, the procedures were to primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3), Florida Statutes (2010), at the school where the employee worked. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes (2010), included evaluation measures such as the employee's ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction and use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies. Section 1012.34(3)(d), Florida Statutes (2010), required that, if an employee was not performing satisfactorily, the performance evaluator had to notify the employee in writing and describe the unsatisfactory performance.

The District established performance assessment procedures based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes, except that District records did not sufficiently evidence that instructional personnel and school administrators were evaluated based primarily on student performance. While the performance appraisal forms included student performance as a component of the evaluation, District records did not sufficiently evidence a correlation between student performance and the employee's performance assessments nor that student performance was the primary factor for the overall evaluation rating. For example, the evaluation form did not provide a numeric or percentage indicator to show that student achievement was the primary contributing factor used to evaluate employee performance. District personnel indicated that they delayed revisions to performance assessments until implementation of the Federal Race-to-the-Top grant requirements, which are subject to approval by the Florida Department of Education for the 2011-12 fiscal year. However, without measuring employee performance by the required criteria, performance assessments of instructional personnel and school administrators may not effectively communicate the employee's accomplishments or shortcomings. A similar finding was noted in our report No. 2011-112.

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

¹ Sections 1012.34 and 1008.22, Florida Statutes, were amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.34(3)(a), Florida Statutes (2011), at least 50 percent of performance evaluations of instructional personnel and school administrators must be based upon data and indicators of student learning growth assessed annually by statewide or district assessments spanning three years of data. However, if three years of data is not available, the District must use the available data and the percentage of the evaluation based upon student learning growth may be reduced to not less than 40 percent for administrators and in-classroom instructional personnel, and to not less than 20 percent for instructional personnel who are not classroom teachers.

Finding No. 2: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes (2010),² provided that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes (2010), required the Board to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule was subject to negotiation as provided in Chapter 447, Florida Statutes, and was required to provide differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation was based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010). Such policies and procedures could establish and communicate the performance measures affecting instructional employee compensation. According to Board Policy 6.30, personnel must be paid in accordance with Board-adopted salary schedules that include provisions for differentiated pay in accordance with Florida Statutes. However, the Board had not adopted formal policies and procedures establishing the documented process to identify instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes (2010). Such policies and procedures could specify the prescribed factors to be used as the basis for determining differentiated pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2010-11 fiscal year salary schedule and applicable union contract for instructional personnel and school-based administrators provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes (2010), could be improved, as follows:

- **Instructional Personnel.** Contrary to Section 1012.22(1)(c)2., Florida Statutes (2010), the instructional personnel salary schedule and union contract did not evidence that a portion of the compensation of each instructional employee was based on performance. District personnel indicated that, although compensation has not been based on performance, the District will use Federal Race-to-the-Top grant funding to develop salary schedules that will include consideration of employee performance.

The instructional personnel salary schedule and union contract provided salary supplements for additional responsibilities beyond the regular workday, such as supplements for coaches and grade and club sponsors. The District provided bonuses for teachers to become certified in District-defined critical shortage areas for reading and English for speakers of other languages. In addition, the salary schedule and union contract indicated that salary differentials would be provided for level of performance difficulties and school demographics for teachers willing to transfer to schools classified as F schools. While the District made supplemental salary payments to instructional personnel for additional responsibilities and critical shortage areas, District personnel indicated that no differential salary payments were made based on level of performance difficulties and school demographics because there were no F schools. However, since there

² Section 1012.22, Florida Statutes, was amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.22(1)(c)4.b., Florida Statutes, the District must base a portion of each employee's compensation upon performance demonstrated under Section 1012.34, Florida Statutes, and provide differentiated pay for instructional personnel and school administrators based upon district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

were no F schools for the 2008-09, 2009-10, or 2010-11 fiscal years, the usefulness and relevance of the established differentiated pay factors for level of performance difficulties and school demographics were not readily apparent.

- **School-based Administrators.** District personnel indicated that the school-based administrators' salary schedule included consideration for additional responsibilities, school demographics, and level of job performance difficulties by the differing administrative pay grades for the elementary, middle, and high schools based on the type school. Also, the salary schedule provided for critical shortage area differentiated pay of school-based administrators in schools classified as D or F schools, and one school was classified as a D school during the 2010-11 fiscal year. However, the District chose not to pay the differentiated pay due to budget constraints. Under these circumstances, the usefulness and relevance of the established differentiated pay factor for critical shortage areas was not readily apparent.

District personnel indicated that salary schedule revisions to comply with the statutory performance and differentiated pay requirements were delayed to ensure consistency with Federal Race-to-the-Top grant requirements. However, without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for the differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlated to their compensation and the various differentiated pay factors were consistently considered and applied. A similar finding was noted in our report No. 2011-112.

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

Finding No. 3: Information Technology – Written Policies and Procedures

Each information technology (IT) function needs complete, well-documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment.

The District lacked written policies and procedures for administering vendor-supplied identification codes (IDs) and guest accounts, or prohibiting administrator rights on workstations of end users. On July 1, 2011, the District employed a new IT Director, who advised us that he plans to develop written IT policies and procedures. Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations. Similar findings were noted in several previous audit reports, most recently in our report No. 2011-112.

Recommendation: The District should establish written policies and procedures to document management's expectations for the performance of the above-listed IT functions.

Finding No. 4: Information Technology – Program Change Controls

Effective controls over changes to application programs and systems are intended to ensure that only authorized and properly functioning changes are implemented. Program change controls include procedures to ensure that all changes are properly authorized, tested, and approved for implementation. Program change controls that are typically employed to ensure the continued integrity of application systems include providing written evidence of the program change process, independent testing and approval of program changes, separating the responsibility for moving

approved changes into the production environment from employees who develop the changes, and separating database responsibilities from employees who develop programs.

The District did not restrict programmers from accessing or updating production data, although District personnel indicated procedures would be implemented to remedy this in the near future. Without effective program change controls, the risk is increased that unauthorized or erroneous programs, including changes or patches, could be moved into the production environment without timely detection. Similar findings were noted in several previous audit reports, most recently in our report No. 2011-112.

Recommendation: The District should implement independent testing and approval of program changes. The District should also restrict programmers from accessing production tables and separate the responsibilities for developing and moving program changes.

Finding No. 5: Information Technology – Review of Logs

Monitoring access to and modification of sensitive or critical tables, files, or transactions helps ensure the confidentiality, integrity, and availability of data and IT resources. The District logged modifications of sensitive or critical tables, files, and transactions; however, periodic review of the logs was not performed. Failure to review logs may preclude timely detection of inappropriate access to District data and IT resources, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction. Similar findings were noted in several previous audit reports, most recently in our report No. 2011-112.

Recommendation: The District should implement procedures to review logs of modifications of sensitive or critical tables, files, and transactions.

Finding No. 6: Information Technology – Security Controls - Data Loss Prevention

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to data loss prevention needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to data loss prevention, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

Recommendation: The District should improve security controls related to data loss prevention to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

Finding No. 7: Information Technology – Security Incident Response Plan

Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to computer security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, provision for designated staff to be trained in incident response, and notification of affected parties.

District personnel indicated that since the District had not experienced any network violations, the District had not developed a written security incident response plan. However, should an event occur that involves the potential or actual compromise, loss, or destruction of District data or IT resources, the lack of a written security incident response plan could result in the District's failure to take appropriate action in a timely manner to prevent further loss or damage to the District's data and IT resources.

Recommendation: The District should develop a written security incident response plan to provide reasonable assurance that the District will respond in a timely and appropriate manner to events that may jeopardize the confidentiality, integrity, or availability of data and IT resources.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Title I (CFDA No. 84.010)
Finding Type: Noncompliance
Questioned Costs: \$15,438

Allowable Costs/Cost Principles - Transportation Cost Allocation. The United States Office of Management and Budget (OMB) *Circular A-87* requires that cost allocation plans be supported by formal accounting and other records that support the propriety of the costs assigned to Federal awards. Further, cost principles must be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit. However, the District did not consistently assess transportation charges to the Title I program and non-Federal activities, resulting in excessive transportation costs to the Title I program as shown below:

School	Miles Traveled for Students Attending School	Transportation Rate Charged For			Excessive Title I Program Transportation Costs
		Title I Program Services	Non-Title I Program Services	Difference	
Westside Elementary	11,694	\$ 2	\$ 1	\$ 1	\$ 11,694
Pinemount Elementary	3,744	2	1	1	3,744
Total	15,438				\$ 15,438

District personnel indicated that higher rates were charged to the Title I program for various reasons, such as the travel took place primarily on unpaved roads, causing more wear on the buses, and there were less Title I program students compared to the number of other students, increasing the costs to transport Title I program students; however, District records did not document the basis upon which the additional costs were charged to the Title I program. As such, to the extent that the amount charged for transportation services to the Title I program exceeded the amounts charged for non-Title I program services, the transportation costs, totaling \$15,438, represent questioned costs subject to disallowance by the grantor.

Recommendation: The District should enhance procedures to ensure transportation costs are consistently and uniformly applied to Federal and non-Federal activities. In addition, the District should document to the grantor (Florida Department of Education) the allowability of the questioned costs, totaling \$15,438, or restore these moneys to the Title I program.

District Contact Person: Yvette Hooper, Director of Federal Projects

Federal Awards Finding No. 2:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Special Education (CFDA No. 84.027)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: \$36,500

Allowable Costs/Cost Principles. OMB *Circular A-87*, Attachment A, Section C.1, provides, in part, that costs must be adequately documented to be allowable under Federal awards. The District reported Special Education program expenditures totaling approximately \$2,871,000 for the 2010-11 fiscal year. We performed tests of expenditures totaling approximately \$490,000 to determine their propriety and allowability, and noted that payments were generally appropriate costs of the program. However, for payments totaling approximately \$36,500 to two contractors for consulting and therapy services, sign-in/sign-out sheets or other documentation were not maintained to support hours that the contractors worked. While we noted that time records were generally maintained for similar services, District personnel indicated that the lack of the documented contractor work hours was due to oversights. Without appropriately maintained time records, costs for the contractor services, totaling \$36,500, represent questioned costs subject to disallowance by the grantor.

Recommendation: The District should ensure appropriate time records are maintained to document contractual services and reconcile the records to related charges before payments are made for the services. In addition, the District should document the allowability of the questioned costs, totaling \$36,500, to the grantor (Florida Department of Education) or restore the costs to the Special Education program.

District Contact Person: Robin H. Talley, Director of Exceptional Education

Federal Awards Finding No. 3:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: State Fiscal Stabilization Fund – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395 - ARRA)
Finding Type: Material Noncompliance and Material Weakness
Questioned Costs: \$71,779

Period of Availability. Title 34, Section 80.23, Code of Federal Regulations, provides that where a funding period is specified in a Federal award, a grantee may charge to the award only costs resulting from obligations incurred during the funding period. The District received a Race-to-the-Top grant, totaling approximately \$1.3 million, with a grant period from September 1, 2010 to July 30, 2014. Our review of grant expenditures disclosed costs, totaling \$71,779, that were incurred on July 19, 2010, which was before the period of availability. District personnel indicated that the accounting entries for these charges were made during the period of availability; however, since the obligation was not incurred within the required timeframe, the expenditures represent questioned costs subject to disallowance by the grantor. Subsequent to our inquiry, in September 2011, District personnel reclassified the expenditures from the Race-to-the-Top grant to the General Fund.

Professional auditing standards require that when an auditee does not comply, in all material respects, with a compliance requirement that could have a direct and material effect on one of its major Federal programs, appropriate disclosures (qualifications) should be made in the auditor's report. As the District did not comply with the requirement regarding period of availability that is applicable to its Race-to-the-Top grant program, our report on the District's compliance with that requirement includes a qualification to that effect.

Recommendation: The District should enhance its procedures to ensure that Federal grant expenditures are only incurred within the period of availability.

District Contact Person: Mary Loughran, Finance Director

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs the District had taken corrective actions for findings included in our report No. 2011-112.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011*

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
2011-112		There were no prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE

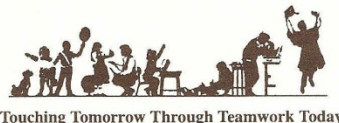
COLUMBIA COUNTY SCHOOL DISTRICT
OFFICE OF THE SUPERINTENDENT

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ALEX L. CARSWELL, JR
ASSISTANT SUPERINTENDENT
FOR OPERATIONS, BUDGETING AND
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ASSISTANT SUPERINTENDENT
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AND ELEMENTARY EDUCATION



MEMBERS OF THE BOARD

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CHARLES H. MAXWELL
STEVE NELSON

November 28, 2011

Mr. David W. Martin
Auditor General
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

This letter is in response to your letter dated October 28, 2011, regarding the preliminary and tentative audit findings and recommendations. The District submits the following responses:

Performance Assessments

The District continues to work on the elements to support that performance assessments of instructional personnel are based primarily on student performance and to maintain appropriate records to evidence this. These elements are a key factor in the Race to the Top grant requirements and progress is being made. The District and union have agreed on the teacher component which was submitted to DOE. We have received a response to that submission which details revisions necessary to meet statutory requirements. The component for school administrators is to be implemented in the 2011-12 fiscal year and is being developed accordingly.

Compensation and Salary Schedules

The District has made progress towards adopting formal policies and procedures to ensure that a portion of each instructional employee's compensation is based on performance but it is tied to the above noted performance assessments and will naturally develop once the assessments have been finalized. As far as the status of the differentiated pay of instructional personnel and school-based administrators, the instructional side is still tied to the performance assessments and considered in progress at this time. The differentiated pay of school-based administrators has been identified on the appropriate salary schedule for 2010-11. One principal did receive payment for the 2010-11 year on August 31, 2011 as recognition of working for a D School as outlined in the salary schedule.

Information Technology

• **Written Policies and Procedures**

The District has developed procedures to document management's expectations for the performance of the detailed IT functions; however, written policies have not been included in the

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EXHIBIT A

MANAGEMENT'S RESPONSE (CONTINUED)

"Columbia County School District Data Processing Procedures" manual. The revisions to this manual are currently being written and the target date for School Board approval of the revised procedures manual is January 24, 2012.

- Program Change Controls
The District has addressed this deficiency in the Data Processing Procedures Manual (page 26) with the target date for Board approval as noted above. It should also be noted that due to the financial constraints of the District, we are unable to hire additional staff to separate data handling personnel and programming personnel.
- Review of Logs
The District's Data Processing Department has in place limited review capabilities, specifically for critical human resource changes. However, we are currently reviewing software that will better allow the ability to review all data transactions as necessary.
- Security Controls – Data Loss Prevention
The District's target date for plan approval by the School Board is January 24, 2012.
- Security Incident Response Plan
The District is working in conjunction with the AS-400 Consortium-member districts to develop a security incident response plan.

Federal Awards Finding – Allowable Costs/Cost Principles

- Title I – School Choice - Transportation Cost Allocation.

The District acknowledges the overcharge of a \$1/mile for transportation costs charged to the Title I School Choice Program. These funds were restored to the program as soon as it was brought to our attention. The overcharge occurred as the Transportation Department attempted to revise its method for charging the cost of transporting students from an old method to a new one using the cost as determined by DOE. However, the new procedure was developed for Federal programs without reviewing the entire parameters of the cost (i.e. salary, benefits, fuel, etc.) in relation to that amount charged to the General Fund. The District has returned to the previous method for charging the cost of transporting students to both General Fund and Federal Funds.

- Special Education Cluster – Adequate Documentation.

The District has already developed procedures to adequately document that appropriate records are maintained to document contractual services whether through appropriate sign-in/out sheets or through revised contractual arrangements detailing the services to be provided in the contract for appropriate documentation for payment. The two vendors have cooperated with the Special Services Staff in providing adequate support for the payments made in the amount of \$36,500 that was considered questioned costs.

Federal Awards Finding – Period of Availability

- ARRA – State Fiscal Stabilization Cluster – Race-to-the-Top Grants, Recovery Act

The District acknowledges that charges were inappropriately charged to the Race to the Top Grant. These funds were restored as soon as it was brought to our attention. At the time the charge was posted to the grant, it was the District's general understanding that the award period was the same as the beginning of the fiscal period July 1 and that ARRA funds were to be used quickly to stimulate the economy. We regret that this occurred and will take extra caution in reviewing beginning and ending dates of any federal awards to be certain that this does not happen again.

As always, the District appreciates the assistance and suggestions made during the audit. We also appreciate the professionalism of the auditors assigned to our audit.

Sincerely,


Michael F. Millikin
Superintendent of Schools

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