

COLUMBIA COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2012



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Linard Johnson, Chair to 11-21-11	1
Charles H. Maxwell	2
Steve Nelson, Vice Chair to 11-21-11, Chair from 11-22-11	3
Keith Hudson	4
Glenn J. Hunter, Vice Chair from 11-22-11	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.

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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: The District's assigned and unassigned fund balance in the General Fund significantly decreased, resulting in the District submitting a fiscal recovery plan to the Florida Department of Education.

Finding No. 2: The Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

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

Finding No. 4: Certain information technology (IT) security controls related to data loss prevention needed improvement.

Finding No. 5: The District needed to enhance the IT security incident response plan.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Special Education Cluster, School Improvement Cluster, Improving Teacher Quality, and Race-to-the-Top programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs. However, we did note a noncompliance and control deficiency finding as summarized below.

Federal Awards Finding No. 1: The District did not properly calculate indirect costs of the Race-to-the-Top program, resulting in \$12,534 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. 2012-051.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2012. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON 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, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 68 percent of the assets and 100 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the 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 (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
February 21, 2013

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, 2012. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2011-12 fiscal year are as follows:

- In total, net assets decreased \$4,738,669 from the 2010-11 fiscal year. This is primarily due to a decrease in grants and contributions not restricted to specific programs revenues.
- General revenues total \$76,543,946, or 93.5 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$5,301,677, or 6.5 percent of all revenues.
- Expenses total \$86,584,291. Only \$5,301,677 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenditures exceeded total revenues by \$4,738,669.
- The General Fund total assigned and unassigned fund balances was \$1,034,850 at June 30, 2012, representing current financial resources available for general appropriation by the Board. This total is only 1.6 percent (financial condition ratio) of General Fund revenues, and significantly less than the financial condition ratio of 5.4 percent at June 30, 2011, and the Board's established ratio of between 2 and 4 percent. Further information regarding the financial condition of the General Fund and related discussions are in the **Financial Analysis of the District's Funds** section below.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- Government-wide financial statements;
- Fund financial statements; and
- 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 the 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 the broad categories discussed below.

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Food Service Fund, Special Revenue – Other Fund, Special Revenue – Federal Economic Stimulus Fund, Capital Projects – Local Capital Improvement Fund, and Capital Projects – Capital Outlay and Debt Service Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Funds: Proprietary funds may be established to account for activities in which a fee is charged for services. 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, 2012, compared to net assets as of June 30, 2011:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-12	6-30-11
Current and Other Assets	\$ 6,417,518	\$ 9,451,395
Capital Assets	112,003,022	113,611,942
Total Assets	118,420,540	123,063,337
Long-Term Liabilities	35,779,462	36,386,526
Other Liabilities	1,190,797	487,861
Total Liabilities	36,970,259	36,874,387
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	84,247,326	84,566,416
Restricted	3,628,587	4,764,773
Unrestricted Deficit	(6,425,632)	(3,142,239)
Total Net Assets	\$ 81,450,281	\$ 86,188,950

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land; buildings; 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, 2012, and June 30, 2011, are as follows:

Operating Results for the Fiscal Year Ended			
Governmental Activities			
	6-30-12	6-30-11	
Program Revenues:	\$	\$	
Charges for Services	1,148,061	1,176,791	
Operating Grants and Contributions	3,749,958	3,642,597	
Capital Grants and Contributions	403,658	1,048,923	
General Revenues:			
Property Taxes, Levied for Operational Purposes	15,618,771	17,048,114	
Property Taxes, Levied for Capital Projects	3,830,868	3,999,570	
Grants and Contributions Not Restricted to Specific Programs	55,097,963	64,055,245	
Unrestricted Investment Earnings	15,811	29,897	
Miscellaneous	1,980,532	775,572	
Total Revenues	81,845,622	91,776,709	
Functions/Program Expenses:			
Instruction	45,038,201	48,432,694	
Pupil Personnel Services	4,984,826	5,554,810	
Instructional Media Services	896,052	1,095,355	
Instruction and Curriculum Development Services	1,507,229	1,463,718	
Instructional Staff Training Services	1,541,834	1,826,767	
Instruction Related Technology	637,961	1,367,467	
School Board	413,387	853,212	
General Administration	850,861	974,071	
School Administration	4,331,946	4,323,494	
Facilities Acquisition and Construction	599,717	684,830	
Fiscal Services	464,595	454,036	
Food Services	4,678,700	4,464,598	
Central Services	899,961	938,288	
Pupil Transportation Services	5,170,857	5,279,939	
Operation of Plant	6,560,481	6,687,571	
Maintenance of Plant	2,198,417	2,319,774	
Administrative Technology Services	831,821	920,280	
Community Services	343,517	331,782	
Unallocated Interest on Long-Term Debt	1,353,914	1,467,849	
Unallocated Depreciation Expense	3,228,023	2,956,991	
Loss on Disposal of Capital Assets	51,991	183,411	
Total Functions/Program Expenses	86,584,291	92,580,937	
Decrease in Net Assets	\$ (4,738,669)	\$ (804,228)	

The largest revenue source is the State of Florida (56.5 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. Grants and contributions not restricted to specific programs revenues, and related expenditures, decreased primarily due to discontinuation of several stimulus programs.

Instruction expenses represent approximately 52 percent of total governmental expenses for both the 2011-12 and 2010-11 fiscal years. Even though these percentages are comparable for the two fiscal years, instruction expenses declined \$3,394,493 or 7 percent from the prior fiscal year as newly-hired instructional personnel replaced retired personnel, Florida Retirement System (FRS) required contribution rates dropped, and employees began contributing 3 percent of their salary to the FRS.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, the total fund balance is \$2,056,050. Total fund balance declined by \$2,758,324 during the fiscal year primarily from decreased property tax revenues and increased expenditures for personnel previously funded by Federal stimulus programs in prior fiscal years. Additional contributing factors for the fund balance decline included certain atypical occurrences, such as higher than expected terminal leave payouts, increased McKay scholarship payments to private schools, and an unexpected decrease in Medicaid reimbursements.

Further, at June 30, 2012, the District's financial condition ratio (General Fund total assigned and unassigned fund balance as a percent of General Fund revenue) of 1.6 percent is below the Board's self-imposed financial condition ratio (between 2 and 4 percent). Section 1011.051, Florida Statutes, requires that the Superintendent provide written notification to the Board and the Florida Department of Education (FDOE) if the financial condition ratio is projected to fall below 3 percent and, if the ratio is projected to fall below 2 percent, the District is responsible for developing a plan that is reasonably anticipated to avoid a financial emergency. The District developed a fiscal recovery plan that was approved by the FDOE on October 12, 2012.

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. Because grant revenues attributed to the grants accounted for in these funds are not recognized until expenditures are incurred, these funds generally do not accumulate fund balances. For the Special Revenue – Federal Economic Stimulus Fund, revenues and expenditures decreased from \$7,977,629 each in the prior fiscal year to \$1,135,999 each in the current fiscal year due to discontinuation of several stimulus programs.

The Special Revenue – Food Service Fund has a total fund balance of \$1,425,244. It should be noted that \$137,178 is nonspendable, while the remaining \$1,288,066 fund balance is restricted.

The Capital Projects – Capital Outlay and Debt Service Fund and Capital Projects – Local Capital Improvement Fund have total fund balances of \$208,060 and \$1,251,401, respectively. These funds are restricted for the acquisition, construction, and maintenance of capital assets, purchase of school buses, and the payment of debt service obligations. The fund balances decreased in the current fiscal year due to the completion renovations of various facilities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final budgeted revenues and expenditures were adjusted to actual amounts. As noted above, certain atypical occurrences (higher than expected terminal leave payments, increase in McKay scholarships, and lower than expected Medicaid reimbursements) increased the final budgeted expenditure amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$112,003,023 (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 capital lease; construction in progress; and audio visual materials and computer software.

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

- Final payment and occupancy of the Fort White Middle School Dining/Kitchen Area.
- Completion of the Columbia High School Logistics Building.

Additional information on the District's capital assets can be found in notes 4 and 17 to the financial statements.

Long-Term Debt

At June 30, 2012, the District has total long-term debt outstanding of \$27,755,696. This amount is comprised of \$504,923 of obligations under lease-purchase, \$3,555,773 of notes payable, \$22,490,000 of certificates of participation, and \$1,205,000 of bonds payable.

Additional information on the District's long-term debt can be found in notes 6 through 10 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The Columbia County School Board continues to face the challenge of limited funding and maintaining quality instruction and preparing for the changes presented by the opening of charter schools: Shining Star Academy of the Arts for the 2012-13 school year and two, possibly three, additional charter schools in the 2013-14 school year. Management and the Board continue to monitor the District's financial stability as we continue to maintain an optimal level of instruction for our students.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, 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, FL 32055.

BASIC FINANCIAL STATEMENTS

COLUMBIA COUNTY DISTRICT SCHOOL BOARD STATEMENT OF NET ASSETS June 30, 2012

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	\$ 3,993,203.43	\$ 97,151.00
Investments	218,442.69	
Accounts Receivable	420,870.95	
Due from Fiscal Agent	159,930.10	
Due from Other Agencies	1,090,480.43	
Inventories	534,590.16	
Capital Assets:		
Nondepreciable Capital Assets	3,143,573.89	
Depreciable Capital Assets, Net	108,859,448.66	
TOTAL ASSETS	\$ 118,420,540.31	\$ 97,151.00
LIABILITIES		
Salaries and Benefits Payable	\$ 120,020.34	\$
Payroll Deductions and Withholdings	462,235.99	
Accounts Payable	225,516.69	
Construction Contracts Payable	334,147.77	
Construction Contracts Payable - Retainage	40,867.54	
Due to Other Agencies	8,008.66	
Long-Term Liabilities:		
Portion Due Within One Year	2,097,830.30	
Portion Due After One Year	33,681,631.30	
Total Liabilities	36,970,258.59	
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	84,247,326.41	
Restricted for:		
State Required Carryover Programs	89,045.92	
Debt Service	111,013.29	
Capital Projects	1,529,834.26	
Food Service	1,425,244.43	
Other Purposes	473,449.65	63,631.00
Unrestricted	(6,425,632.24)	33,520.00
Total Net Assets	81,450,281.72	97,151.00
TOTAL LIABILITIES AND NET ASSETS	\$ 118,420,540.31	\$ 97,151.00

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, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 45,038,200.50	\$ 136,074.67	\$	\$
Pupil Personnel Services	4,984,826.48			
Instructional Media Services	896,052.32			
Instruction and Curriculum Development Services	1,507,229.09			
Instructional Staff Training Services	1,541,834.22			
Instruction Related Technology	637,961.19			
School Board	413,386.72			
General Administration	850,860.70			
School Administration	4,331,945.77			
Facilities Acquisition and Construction	599,717.32			138,253.47
Fiscal Services	464,594.66			
Food Services	4,678,700.46	902,005.27	3,749,957.89	
Central Services	899,960.70			
Pupil Transportation Services	5,170,856.89	109,981.54		
Operation of Plant	6,560,481.17			
Maintenance of Plant	2,198,416.91			
Administrative Technology Services	831,821.18			
Community Services	343,517.17			
Unallocated Interest on Long-Term Debt	1,353,914.23			265,404.61
Unallocated Depreciation Expense*	3,228,023.00			
Loss on Disposal of Capital Assets	51,991.04			
Total Primary Government	\$ 86,584,291.72	\$ 1,148,061.48	\$ 3,749,957.89	\$ 403,658.08
Component Unit				
Columbia County Public Schools Foundation, Inc.	\$ 77,743.00	\$ 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.

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component
Governmental	Unit
Activities	
\$ (44,902,125.83)	\$
(4,984,826.48)	
(896,052.32)	
(1,507,229.09)	
(1,541,834.22)	
(637,961.19)	
(413,386.72)	
(850,860.70)	
(4,331,945.77)	
(461,463.85)	
(464,594.66)	
(26,737.30)	
(899,960.70)	
(5,060,875.35)	
(6,560,481.17)	
(2,198,416.91)	
(831,821.18)	
(343,517.17)	
(1,088,509.62)	
(3,228,023.00)	
(51,991.04)	
(81,282,614.27)	
	(77,743.00)
15,618,770.69	
3,830,867.60	
55,097,963.59	71,412.00
15,811.27	
1,980,532.45	
76,543,945.60	71,412.00
(4,738,668.67)	(6,331.00)
86,188,950.39	103,482.00
\$ 81,450,281.72	\$ 97,151.00

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

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 861,582.62	\$ 1,165,493.45	\$
Investments	53,498.02	7,793.79	
Accounts Receivable	420,870.95		
Due from Fiscal Agent	159,930.10		
Due from Other Funds	920,766.35		
Due from Other Agencies		140,740.49	925,695.50
Inventories	405,206.16	129,384.00	
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,821,854.20</u>	<u>\$ 1,443,411.73</u>	<u>\$ 925,695.50</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 112,442.25	\$	\$ 7,578.09
Payroll Deductions and Withholdings	462,086.74		149.25
Accounts Payable	182,266.49	431.24	34,321.78
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Due to Other Funds	1,000.00	17,736.06	883,646.38
Due to Other Agencies	8,008.66		
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>765,804.14</u>	<u>18,167.30</u>	<u>925,695.50</u>
Fund Balances:			
Nonspendable:			
Inventory	405,206.16	129,384.00	
Fund B Investments	53,498.02	7,793.79	
Total Nonspendable Fund Balance	<u>458,704.18</u>	<u>137,177.79</u>	<u> </u>
Restricted for:			
Federal Required Carryover Programs	432,153.96		
State Required Carryover Programs	89,045.92		
Debt Service			
Capital Projects			
Food Service		1,288,066.64	
Donor Designations	41,295.69		
Total Restricted Fund Balance	<u>562,495.57</u>	<u>1,288,066.64</u>	<u> </u>
Assigned to:			
Board Approved Budget Items	319,981.56		
Other	33,169.93		
Total Assigned Fund Balance	<u>353,151.49</u>	<u> </u>	<u> </u>
Unassigned Fund Balance	<u>681,698.82</u>	<u> </u>	<u> </u>
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>2,056,050.06</u>	<u>1,425,244.43</u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,821,854.20</u>	<u>\$ 1,443,411.73</u>	<u>\$ 925,695.50</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	Capital Projects - Capital Outlay and Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 1,369,241.03	\$ 348,496.57 119,574.97	\$ 143,811.03 37,575.91	\$ 3,888,624.70 218,442.69 420,870.95 159,930.10 921,766.35 1,090,480.43 534,590.16
24,044.44		1,000.00		
<u>\$ 24,044.44</u>	<u>\$ 1,369,241.03</u>	<u>\$ 469,071.54</u>	<u>\$ 181,386.94</u>	<u>\$ 7,234,705.38</u>
\$	\$	\$	\$	\$ 120,020.34 462,235.99 225,516.69 334,147.77 40,867.54 921,766.35 8,008.66
4,660.53	3,718.43 102,738.15 11,383.90	118.22 231,409.62 29,483.64		
19,383.91				
<u>24,044.44</u>	<u>117,840.48</u>	<u>261,011.48</u>		<u>2,112,563.34</u>
		119,574.97 <u>119,574.97</u>		534,590.16 180,866.78 <u>715,456.94</u>
				432,153.96 89,045.92 111,013.29 1,410,259.29 1,288,066.64 41,295.69 <u>3,371,834.79</u>
	1,251,400.55	88,485.09	111,013.29 70,373.65	
	<u>1,251,400.55</u>	<u>88,485.09</u>	<u>181,386.94</u>	
				319,981.56 33,169.93 353,151.49 681,698.82
	1,251,400.55	208,060.06	181,386.94	5,122,142.04
<u>\$ 24,044.44</u>	<u>\$ 1,369,241.03</u>	<u>\$ 469,071.54</u>	<u>\$ 181,386.94</u>	<u>\$ 7,234,705.38</u>

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012**

Total Fund Balances - Governmental Funds	\$	5,122,142.04
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		112,003,022.55
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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 fund is included in governmental activities in the statement of net assets. This is the amount of internal service fund net assets.		104,578.73
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Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:

Obligation Under Lease-Purchase	\$ 504,922.91	
Notes Payable	3,555,773.23	
Bonds Payable	1,205,000.00	
Certificates of Participation Payable	22,490,000.00	
Compensated Absences Payable	5,458,879.46	
Other Postemployment Benefits Payable	2,564,886.00	
		(35,779,461.60)

Total Net Assets - Governmental Activities	\$	81,450,281.72
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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, 2012**

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 177,948.16	\$	\$
Federal Through State and Local State	552,428.02 45,325,185.01	3,677,069.89 74,208.00	7,282,827.23
Local:			
Property Taxes	15,618,770.69		
Charges for Services	246,056.21	902,005.27	
Miscellaneous	1,906,802.54	6,418.87	
Total Local Revenues	<u>17,771,629.44</u>	<u>908,424.14</u>	
Total Revenues	<u>63,827,190.63</u>	<u>4,659,702.03</u>	<u>7,282,827.23</u>
Expenditures			
Current - Education:			
Instruction	40,666,880.16		3,608,036.31
Pupil Personnel Services	3,658,693.17		1,239,825.10
Instructional Media Services	879,949.02		2,429.49
Instruction and Curriculum Development Services	696,614.82		726,686.86
Instructional Staff Training Services	433,128.74		967,260.08
Instruction Related Technology	415,613.40		6,256.97
School Board	411,338.43		
General Administration	662,532.61		163,320.44
School Administration	4,274,292.29		2,744.41
Facilities Acquisition and Construction			
Fiscal Services	457,767.00		
Food Services	50,756.05	4,607,461.43	
Central Services	831,220.34		
Pupil Transportation Services	4,256,768.11		208,945.54
Operation of Plant	6,498,550.62		34,619.92
Maintenance of Plant	2,120,689.61		
Administrative Technology Services	430,821.61		
Community Services	340,786.11		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	406,941.34	64,240.60	322,702.11
Debt Service:			
Principal			
Interest and Fiscal Charges	<u>8,326.36</u>		
Total Expenditures	<u>67,501,669.79</u>	<u>4,671,702.03</u>	<u>7,282,827.23</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,674,479.16)</u>	<u>(12,000.00)</u>	
Other Financing Sources (Uses)			
Transfers In	836,641.15		
Insurance Loss Recoveries	79,514.29		
Transfers Out			
Total Other Financing Sources (Uses)	<u>916,155.44</u>		
Net Change in Fund Balances	<u>(2,758,323.72)</u>	<u>(12,000.00)</u>	
Fund Balances, Beginning	<u>4,814,373.78</u>	<u>1,437,244.43</u>	
Fund Balances, Ending	<u>\$ 2,056,050.06</u>	<u>\$ 1,425,244.43</u>	<u>\$ 0.00</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	Capital Projects - Capital Outlay and Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$	\$
1,135,998.55				177,948.16
		71,419.20	488,801.87	12,648,323.69
	3,830,867.60			45,959,614.08
				19,449,638.29
	2,447.93	678.81	376.35	1,148,061.48
	3,833,315.53	678.81	376.35	1,916,724.50
				22,514,424.27
1,135,998.55	3,833,315.53	72,098.01	489,178.22	81,300,310.20
337,920.90				44,612,837.37
38,514.60				4,937,032.87
6,846.15				889,224.66
70,272.09				1,493,573.77
127,790.08				1,528,178.90
209,263.16				631,133.53
				411,338.43
18,179.99				844,033.04
13,943.12				4,290,979.82
	254,401.20	323,378.76	21,937.36	599,717.32
				457,767.00
				4,658,217.48
61,912.70				893,133.04
127,705.52				4,593,419.17
				6,533,170.54
64,071.98				2,184,761.59
				430,821.61
				340,786.11
	534,207.29	266,179.43		800,386.72
59,578.26	560,544.40			1,414,006.71
	1,089,830.31		200,000.00	1,289,830.31
	1,201,673.35		143,914.52	1,353,914.23
1,135,998.55	3,640,656.55	589,558.19	365,851.88	85,188,264.22
	192,658.98	(517,460.18)	123,326.34	(3,887,954.02)
				836,641.15
				79,514.29
	(473,360.00)		(363,281.15)	(836,641.15)
	(473,360.00)		(363,281.15)	79,514.29
	(280,701.02)	(517,460.18)	(239,954.81)	(3,808,439.73)
	1,532,101.57	725,520.24	421,341.75	8,930,581.77
\$ 0.00	\$ 1,251,400.55	\$ 208,060.06	\$ 181,386.94	\$ 5,122,142.04

**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, 2012**

Net Change in Fund Balances - Governmental Funds \$ (3,808,439.73)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (1,556,929.00)

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (51,991.04)

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 of repayments in the current fiscal year.

Obligation Under Lease-Purchase	\$	109,152.49	
Notes Payable		280,677.82	
Bonds Payable		200,000.00	
Certificates of Participation Payable		700,000.00	1,289,830.31

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. (16,377.86)

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. (666,388.00)

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of the internal service fund is reported with governmental activities. 71,626.65

Change in Net Assets - Governmental Activities **\$ (4,738,668.67)**

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, 2012**

Governmental
Activities -
Internal
Service
Fund

ASSETS

Current Assets:

Cash and Cash Equivalents

\$ 104,578.73

NET ASSETS

Unrestricted

\$ 104,578.73

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, 2012**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Revenues from Member Districts	\$ 465,693.63
OPERATING EXPENSES	
Salaries	76,868.00
Employee Benefits	14,740.85
Purchased Services	302,513.07
Capital Outlay	49.99
Total Operating Expenses	394,171.91
Operating Income	71,521.72
NONOPERATING REVENUES	
Interest Revenue	104.93
Change in Net Assets	71,626.65
Total Net Assets - Beginning	32,952.08
Total Net Assets - Ending	\$ 104,578.73

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, 2012**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Member Districts	\$ 465,693.63
Cash Payments to Suppliers for Goods and Services	(302,563.06)
Cash Payments to Employees for Services	(91,608.85)
Net Cash Provided by Operating Activities	<u>71,521.72</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>104.93</u>
Net Increase in Cash and Cash Equivalents	71,626.65
Cash and Cash Equivalents, Beginning	<u>32,952.08</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 104,578.73</u></u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income	\$ 71,521.72
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
No Change in Assets and Liabilities	<u> </u>
Net Cash Provided by Operating Activities	<u><u>\$ 71,521.72</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, 2012**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 613,163.33
LIABILITIES	
Accounts Payable	\$ 1,776.18
Internal Accounts Payable	<u>611,387.15</u>
TOTAL LIABILITIES	<u>\$ 613,163.33</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, 2012**

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 8. 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, 2012. The audit report is 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.

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

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

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

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

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

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 – Food Service Fund – to account for the financial resources of the District's food service program.
- Special Revenue – Other Fund – to account for certain Federal grant program resources
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA) 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, renovation and remodeling projects, and debt service payments for various financing arrangements.
- Capital Projects – Capital Outlay and Debt Service Fund – to account for the financial resources generated by the State of Florida's Capital Outlay and Debt Service Program to be used for projects such as construction of new schools, including capital equipment and additions to existing schools, and certain projects identified on the Project Priority List and approved by the Florida Department of Education.

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.

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

- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

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

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

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

Proprietary funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989, and applicable standards issued by GASB. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service fund are 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 fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

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.

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

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 the SBA debt service accounts for investment of debt service moneys and amounts placed with the SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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

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

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

Inventories. Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at 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.

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

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

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 the 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 the 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

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

the General Fund is restricted in the governmental fund financial statements for the unspent 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.

The Board adopted the 2011 tax levy on September 13, 2011. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received 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.

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

3. INVESTMENTS

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

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	38 Day Average	\$ 103,581.58
Fund B	5.73 Year Average	180,866.78
Debt Service Accounts	6 Months	37,575.91
Total Investments, Primary Government		<u>\$ 322,024.27</u>

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

➤ Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

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

**COLUMBIA COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

➤ 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 SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that limits its investment choices.

The District's investments in the 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 the SBA for managing interest rate risk and credit risk for this account.

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, 2012**

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 2,838,129.72	\$ 86,168.50	\$	\$ 2,924,298.22
Construction in Progress	744,837.77	714,218.22	1,239,780.32	219,275.67
Total Capital Assets Not Being Depreciated	3,582,967.49	800,386.72	1,239,780.32	3,143,573.89
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,053,802.42			3,053,802.42
Buildings and Fixed Equipment	146,363,258.08	1,239,780.32		147,603,038.40
Furniture, Fixtures, and Equipment	5,116,742.86	643,875.22	440,903.63	5,319,714.45
Motor Vehicles	7,656,535.24	643,770.00	308,241.00	7,992,064.24
Property Under Lease-Purchase	2,259,698.08			2,259,698.08
Audio Visual Materials and Computer Software	1,524,832.53	126,361.49		1,651,194.02
Total Capital Assets Being Depreciated	165,974,869.21	2,653,787.03	749,144.63	167,879,511.61
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,811,127.84	141,091.22		1,952,219.06
Buildings and Fixed Equipment	42,713,999.14	2,545,027.01		45,259,026.15
Furniture, Fixtures, and Equipment	3,755,425.94	361,691.38	388,912.59	3,728,204.73
Motor Vehicles	5,792,567.09	543,299.43	308,241.00	6,027,625.52
Property Under Lease-Purchase	587,521.48	45,193.96		632,715.44
Audio Visual Materials and Computer Software	1,285,252.62	135,019.43		1,420,272.05
Total Accumulated Depreciation	55,945,894.11	3,771,322.43	697,153.59	59,020,062.95
Total Capital Assets Being Depreciated, Net	110,028,975.10	(1,117,535.40)	51,991.04	108,859,448.66
Governmental Activities Capital Assets, Net	\$ 113,611,942.59	\$ (317,148.68)	\$ 1,291,771.36	\$ 112,003,022.55

The class of property under lease-purchase is presented in note 6.

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

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 543,299.43
Unallocated	3,228,023.00
Total Depreciation Expense - Governmental Activities	<u>\$ 3,771,322.43</u>

5. CHANGES IN SHORT-TERM DEBT

The following is a schedule of changes in short-term debt:

	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	<u>\$ 0</u>	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ 0</u>

Proceeds from the tax anticipation note were used to provide cash flow pending receipt of delinquent taxes by June 30, 2012, in the General Fund as permitted under State and Federal tax laws.

6. 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
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	<u>145,382.93</u>	<u>137,283.22</u>	<u>8,099.71</u>
Total Minimum Lease-Purchase Payments	<u>\$ 581,531.73</u>	<u>\$ 504,922.91</u>	<u>\$ 76,608.82</u>

The stated interest rate is 5.9 percent.

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

7. NOTES PAYABLE

Notes payable are comprised of the following:

<u>LaSalle National Bank</u>	<u>Balance at June 30</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.	\$ 1,298,373.23
 <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>\$ 3,555,773.23</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. The pledged revenue is committed until final maturity date 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.

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

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
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	197,512.93	136,600.00	60,912.93
2018-2022	977,171.00	742,400.00	234,771.00
2023-2027	975,478.19	871,300.00	104,178.19
2028	196,650.56	193,500.00	3,150.56
Total	<u><u>\$ 4,436,528.20</u></u>	<u><u>\$ 3,555,773.23</u></u>	<u><u>\$ 880,754.97</u></u>

8. 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 (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 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 Fort White High School, and additions, renovations, and upgrades to Columbia High School.

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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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:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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	1,771,322.50	855,000.00	916,322.50
2018-2022	8,840,068.78	4,845,000.00	3,995,068.78
2023-2027	8,846,278.78	6,045,000.00	2,801,278.78
2028-2032	8,926,669.75	7,660,000.00	1,266,669.75
Total Minimum Lease Payments	<u>\$ 35,457,394.81</u>	<u>\$ 22,490,000.00</u>	<u>\$ 12,967,394.81</u>

9. BONDS PAYABLE

Bonds payable at June 30, 2012, 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	\$ 1,075,000.00	5.0	2017
Series 2005B, Refunding	<u>130,000.00</u>	5.0	2018
Total Bonds Payable	<u>\$ 1,205,000.00</u>		

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2012, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2013	\$ 270,250	\$ 210,000	\$ 60,250
2014	274,750	225,000	49,750
2015	283,500	245,000	38,500
2016	286,250	260,000	26,250
2017	258,250	245,000	13,250
2018	21,000	20,000	1,000
Total	<u>\$ 1,394,000</u>	<u>\$ 1,205,000</u>	<u>\$ 189,000</u>

10. 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					
Obligation Under Lease-Purchase	\$ 614,075.40	\$	\$ 109,152.49	\$ 504,922.91	\$ 115,592.48
Notes Payable	3,836,451.05		280,677.82	3,555,773.23	297,237.82
Bonds Payable	1,405,000.00		200,000.00	1,205,000.00	210,000.00
Certificates of Participation Payable	23,190,000.00		700,000.00	22,490,000.00	725,000.00
Compensated Absences Payable	5,442,501.60	750,766.86	734,389.00	5,458,879.46	750,000.00
Other Postemployment Benefits Payable	1,898,498.00	998,956.00	332,568.00	2,564,886.00	
Total Governmental Activities	<u>\$ 36,386,526.05</u>	<u>\$ 1,749,722.86</u>	<u>\$ 2,356,787.31</u>	<u>\$ 35,779,461.60</u>	<u>\$ 2,097,830.30</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, 2012**

11. 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	\$ 920,766.35	\$ 1,000.00
Special Revenue:		
Other		883,646.38
Food Service		17,736.06
ARRA Economic Stimulus		19,383.91
Capital Projects:		
Capital Outlay and Debt Service	1,000.00	
Total	<u>\$ 921,766.35</u>	<u>\$ 921,766.35</u>

Interfund receivables and payables include indirect cost recoveries on 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	\$ 836,641.15	\$
Capital Projects:		
Local Capital Improvement Funds		473,360.00
Nonmajor Governmental		363,281.15
Total	<u>\$ 836,641.15</u>	<u>\$ 836,641.15</u>

Interfund transfers were to move residual unrestricted funds available over debt service requirements of the refunded Series 1998, District Revenue Bonds and to move restricted capital outlay revenues to offset eligible expenditures for maintenance salaries and property casualty insurance premiums.

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

12. FUND BALANCE REPORTING

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

➤ **Nonspendable**

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

➤ **Restricted**

The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.

➤ **Committed**

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

➤ **Assigned**

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

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

13. SCHEDULE OF STATE REVENUE SOURCES

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

Source	Amount
Florida Education Finance Program	\$ 33,599,365.00
Categorical Educational Program - Class Size Reduction	10,254,381.00
School Recognition	505,390.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	341,892.82
Workforce Development Program	257,933.00
Food Service Supplement	72,888.00
Mobile Home License Tax	34,882.15
Discretionary Lottery Funds	29,914.00
Miscellaneous	862,968.11
Total	<u><u>\$ 45,959,614.08</u></u>

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

14. PROPERTY TAXES

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

	Millages	Taxes Levied
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.367	\$ 14,090,675.75
Basic Discretionary Local Effort	0.748	1,963,817.75
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	3,938,141.99
Total	<u><u>7.615</u></u>	<u><u>\$ 19,992,635.49</u></u>

15. FLORIDA RETIREMENT SYSTEM

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

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

programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

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

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

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

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

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Elected County Officers	3.00	11.14
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
Florida Retirement System, Reemployed Retiree	(B)	(B)

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

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

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions, including employee contributions, for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$4,696,670.07, \$5,023,853.72, and \$3,267,167.58, respectively, which were equal to the required contributions for each fiscal year.

There were 149 District participants in the Investment Plan during the 2011-12 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled \$327,173.50, which was equal to the required contribution for the 2011-12 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

16. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

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

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 86 retirees received other postemployment benefits. The District provided required contributions of \$332,568 toward the annual OPEB cost, net of retiree contributions totaling \$643,926, which represents 1.35 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

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

following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the District's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 699,578
Amortization of Unfunded Actuarial Accrued Liability	274,017
Interest on Normal Cost and Amortization	<u>12,704</u>
Annual Required Contribution	986,299
Interest on Net OPEB Obligation	75,940
Adjustment to Annual Required Contribution	<u>(63,283)</u>
Annual OPEB Cost (Expense)	998,956
Contribution Toward the OPEB Cost	<u>(332,568)</u>
Increase in Net OPEB Obligation	666,388
Net OPEB Obligation, Beginning of Year	<u>1,898,498</u>
Net OPEB Obligation, End of Year	<u><u>\$2,564,886</u></u>

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

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009-10	\$1,108,149	43%	\$1,307,716
2010-11	1,176,271	50%	1,898,498
2011-12	998,956	33%	2,564,886

Funded Status and Funding Progress. As of March 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$7,530,801, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$7,530,801 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 15.8 percent.

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to

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

continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The District's OPEB actuarial valuation as of March 1, 2011, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2012, and the District's 2011-12 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 7.8 percent beginning March 1, 2011, reduced by various percentages each year, to an ultimate rate of 4.9 percent after 72 years. The investment rate of return and payroll growth rate include a general price inflation of 3 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis.

17. 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 Special Revenue – Federal Economic Stimulus fund had encumbrances totaling \$150,552.

Construction Contracts. Encumbrances include the following major construction contract commitments at fiscal year-end:

Project	Contract Amount	Completed to Date	Balance Committed
Columbia High School Rooftop HVAC Unit Replacement:			
Architect	\$ 31,002.54	\$ 26,237.05	\$ 4,765.49
Contractor	317,700.00	294,836.40	22,863.60
Eastside Kitchen Renovation:			
Architect	91,796.60	73,437.28	18,359.32
Contractor	1,247,000.00	113,839.00	1,133,161.00
Total	<u>\$ 1,687,499.14</u>	<u>\$ 508,349.73</u>	<u>\$ 1,179,149.41</u>

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

18. CONSORTIUMS

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. 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.

19. 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 (NEFEC), 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 NEFEC. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The NEFEC 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 NEFEC is composed of superintendents of all participating districts. The Putnam County District School Board serves as fiscal agent for NEFEC.

Health and hospitalization coverage are 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 NEFEC 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 \$5,000 was estimated to provide for the final claims incurred, but not reported, of the self-insured program through December 31, 2012, twelve months from the end of the contract. 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
2010-11	\$ 137,048.89	\$ 970,030.85	\$ (970,030.85)	\$ 137,048.89
2011-12	137,048.89	383,956.08	(516,004.97)	5,000.00

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

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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, 2012**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 186,000.00	\$ 177,948.16	\$ 177,948.16	\$
Federal Through State and Local	601,600.00	552,428.02	552,428.02	
State	46,572,062.81	45,325,185.01	45,325,185.01	
Local:				
Property Taxes	15,447,655.00	15,618,770.69	15,618,770.69	
Charges for Services		246,056.21	246,056.21	
Miscellaneous	713,722.33	1,906,802.54	1,906,802.54	
Total Local Revenues	16,161,377.33	17,771,629.44	17,771,629.44	
Total Revenues	63,521,040.14	63,827,190.63	63,827,190.63	
Expenditures				
Current - Education:				
Instruction	38,632,049.50	40,666,880.16	40,666,880.16	
Pupil Personnel Services	3,604,272.14	3,658,693.17	3,658,693.17	
Instructional Media Services	961,656.71	879,949.02	879,949.02	
Instruction and Curriculum Development Services	620,275.61	696,614.82	696,614.82	
Instructional Staff Training Services	417,877.93	433,128.74	433,128.74	
Instruction Related Technology	404,262.96	415,613.40	415,613.40	
School Board	1,110,857.91	411,338.43	411,338.43	
General Administration	637,576.19	662,532.61	662,532.61	
School Administration	3,959,671.83	4,274,292.29	4,274,292.29	
Fiscal Services	446,262.43	457,767.00	457,767.00	
Food Services		50,756.05	50,756.05	
Central Services	766,057.21	831,220.34	831,220.34	
Pupil Transportation Services	4,507,820.91	4,256,768.11	4,256,768.11	
Operation of Plant	5,564,256.50	6,498,550.62	6,498,550.62	
Maintenance of Plant	2,206,378.23	2,120,689.61	2,120,689.61	
Administrative Technology Services	309,235.49	430,821.61	430,821.61	
Community Services	252,116.65	340,786.11	340,786.11	
Fixed Capital Outlay:				
Other Capital Outlay		406,941.34	406,941.34	
Debt Service:				
Interest and Fiscal Charges		8,326.36	8,326.36	
Total Expenditures	64,400,628.20	67,501,669.79	67,501,669.79	
Excess (Deficiency) of Revenues Over Expenditures	(879,588.06)	(3,674,479.16)	(3,674,479.16)	
Other Financing Sources				
Transfers In	722,641.15	836,641.15	836,641.15	
Insurance Loss Recoveries	30,000.00	79,514.29	79,514.29	
Total Other Financing Sources	752,641.15	916,155.44	916,155.44	
Net Change in Fund Balances	(126,946.91)	(2,758,323.72)	(2,758,323.72)	
Fund Balances, Beginning	4,814,373.78	4,814,373.78	4,814,373.78	
Fund Balances, Ending	\$ 4,687,426.87	\$ 2,056,050.06	\$ 2,056,050.06	\$ 0.00

Special Revenue - Food Service Fund				Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$	\$	\$	\$	\$	\$	\$	\$
3,445,000.00	3,651,154.94	3,677,069.89	25,914.95	1,562,674.72	7,282,827.23	7,282,827.23	
74,930.00	74,208.00	74,208.00					
	902,005.27	902,005.27					
1,020,125.00	6,418.87	6,418.87					
1,020,125.00	908,424.14	908,424.14					
4,540,055.00	4,633,787.08	4,659,702.03	25,914.95	1,562,674.72	7,282,827.23	7,282,827.23	
				993,370.02	3,608,036.31	3,608,036.31	
				158,184.13	1,239,825.10	1,239,825.10	
					2,429.49	2,429.49	
				4,876.00	726,686.86	726,686.86	
				219,755.74	967,260.08	967,260.08	
					6,256.97	6,256.97	
				11,676.83	163,320.44	163,320.44	
					2,744.41	2,744.41	
4,444,820.00	4,607,461.43	4,607,461.43		23,404.00			
				151,408.00	208,945.54	208,945.54	
					34,619.92	34,619.92	
	64,240.60	64,240.60			322,702.11	322,702.11	
4,444,820.00	4,671,702.03	4,671,702.03		1,562,674.72	7,282,827.23	7,282,827.23	
95,235.00	(37,914.95)	(12,000.00)	25,914.95				
95,235.00	(37,914.95)	(12,000.00)	25,914.95				
1,437,244.43	1,437,244.43	1,437,244.43					
\$ 1,532,479.43	\$ 1,399,329.48	\$ 1,425,244.43	\$ 25,914.95	\$ 0.00	\$ 0.00	\$ 0.00	\$ 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, 2012

	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	1,178,334.53	1,135,998.55	1,135,998.55	
Local:				
Property Taxes				
Charges for Services				
Miscellaneous				
Total Local Revenues				
Total Revenues	<u>1,178,334.53</u>	<u>1,135,998.55</u>	<u>1,135,998.55</u>	
Expenditures				
Current - Education:				
Instruction	4,224.99	337,920.90	337,920.90	
Pupil Personnel Services	16,386.53	38,514.60	38,514.60	
Instructional Media Services		6,846.15	6,846.15	
Instruction and Curriculum Development Services	235,107.40	70,272.09	70,272.09	
Instructional Staff Training Services	17,821.91	127,790.08	127,790.08	
Instruction Related Technology	486,182.45	209,263.16	209,263.16	
School Board				
General Administration	17,887.12	18,179.99	18,179.99	
School Administration		13,943.12	13,943.12	
Fiscal Services				
Food Services				
Central Services	337,724.13	61,912.70	61,912.70	
Pupil Transportation Services		127,705.52	127,705.52	
Operation of Plant				
Maintenance of Plant	63,000.00	64,071.98	64,071.98	
Administrative Technology Services				
Community Services				
Fixed Capital Outlay:				
Other Capital Outlay		59,578.26	59,578.26	
Debt Service:				
Interest and Fiscal Charges				
Total Expenditures	<u>1,178,334.53</u>	<u>1,135,998.55</u>	<u>1,135,998.55</u>	
Excess (Deficiency) of Revenues Over Expenditures				
Other Financing Sources				
Transfers In				
Insurance Loss Recoveries				
Total Other Financing Sources				
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) (1)	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	7,530,801	7,530,801	0.0%	47,725,373	15.8%

Note: (1) The District's OPEB actuarial valuation used the projected unit credit method to estimate the actuarial accrued liability.

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

1. BUDGETARY BASIS OF ACCOUNTING

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

2. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The March 1, 2011, unfunded actuarial accrued liability of \$7,530,801 was significantly less than the March 1, 2009, liability of \$10,339,679, as a result of changes in costs and liabilities as discussed below:

- The standard morbidity adjustment was reduced to reflect that District employees retire at earlier ages due to benefit eligibility, which decreased the District's cost and liability.
- The assumed rates of retirement, withdrawal, disability, and mortality were changed to be consistent with assumptions recently adopted by the Florida Retirement System, resulting in decreased cost and liability.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 460,051.41	\$
National School Lunch Program	10.555(2)	300, 350	1,577,071.28	
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	321	288,361.02	
National School Lunch Program	10.555(2)	300, 350	1,288,491.96	
Summer Food Service Program for Children	10.559	323	10,574.47	
Total Child Nutrition Cluster			3,624,550.14	
Florida Department of Education:				
Child Nutrition Cluster Discretionary Grants Limited Availability	10.579	371	23,404.00	
Fresh Fruit and Vegetable Program	10.582	330	6,365.54	
Florida Department of Agriculture and Consumer Services:				
Fresh Fruit and Vegetable Program	10.582	330	8,204.26	
Florida Department of Financial Services:				
Schools and Roads - Grants to States	10.665	None	118,157.54	
Total United States Department of Agriculture			3,780,681.48	
United States Department of Education:				
Direct:				
Fund for the Improvement of Education	84.215	N/A	135,255.88	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	2,128,301.10	30,200.00
Special Education - Preschool Grants	84.173	267	102,960.10	
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	34,391.40	
Putnam County District School Board:				
Special Education - Grants to States	84.027	None	90,498.75	
Total Special Education Cluster			2,356,151.35	30,200.00
Education for Homeless Children and Youth Cluster:				
Florida Department of Education:				
Education for Homeless Children and Youth	84.196	127	45,000.00	
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	17,362.07	
Total Education for Homeless Children and Youth Cluster			62,362.07	
School Improvement Grants Cluster:				
Florida Department of Education:				
School Improvement Grants	84.377	126	159,399.12	
ARRA - School Improvement Grants, Recovery Act	84.388	126	618,860.63	
Total School Improvement Grants Cluster			778,259.75	
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	206,179.00	
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	3,304,416.31	
Career and Technical Education - Basic Grants to States	84.048	151, 161	193,273.00	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	20,167.19	
Even Start - State Educational Agencies	84.213	219	95,015.65	
Twenty-First Century Community Learning Centers	84.287	244	151,250.65	
Transition to Teaching	84.350	227	9,676.63	
Rural Education	84.358	110	229,691.15	
Improving Teacher Quality State Grants	84.367	224	609,831.92	
ARRA - Education Technology State Grants, Recovery Act	84.386	121, 122	3,513.74	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111	433,764.71	
Education Jobs Fund	84.410	541	28,106.00	
Total Indirect			8,481,659.12	30,200.00
Total United States Department of Education			8,616,915.00	30,200.00

COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
Corporation for National and Community Service:				
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	234	\$ 4,261.41	\$
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	42,692.28	
Total Expenditures of Federal Awards			\$ 12,444,550.17	\$ 30,200.00

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

(2) Noncash Assistance - National School Lunch Program. Includes \$299,262 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

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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, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds 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.

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
February 21, 2013



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the
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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 *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, 2012. 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 provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1. 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.

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.

Restricted Purpose Relating to Testing of Internal Control Over Compliance

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

Respectfully submitted,



David W. Martin, CPA
February 21, 2013

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	Yes
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Special Education Cluster (CFDA Nos. 84.027, 84.173, and 84.391 - ARRA); School Improvement Grants Cluster (CFDA Nos. 84.377 and 84.388 - ARRA); Improving Teacher Quality State Grants (CFDA No. 84.367); and Race-to-the-Top Incentive Grants (CFDA No. 84.395 - ARRA)
Dollar threshold used to distinguish between Type A and Type B programs:	\$373,336
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, 2012**

ADDITIONAL MATTERS

Finding No. 1: Financial Condition

In governmental funds, nonspendable, restricted, and committed accounts are used to indicate the portion of fund balance that is limited for specific purposes and not available for general appropriation by the Board, while the assigned and unassigned fund balance accounts are designed to serve as a measure of net current financial resources available for general appropriation by the Board. The assigned and unassigned portions represent the amount to be used with the most flexibility for emergencies and unforeseen situations.

Section 1011.051, Florida Statutes, requires that the District maintain a General Fund ending fund balance that is sufficient to address normal contingencies. If at any time the portion of the General Fund's ending fund balance not classified as restricted, committed, or nonspendable (i.e., the total assigned and unassigned fund balances) in the District's approved operating budget as a percent of General Fund total revenue (i.e., financial condition ratio) is projected to fall below 3 percent during the fiscal year, the Superintendent must provide written notification to the Board and the Florida Department of Education (FDOE). Further, if at any time the financial condition ratio is projected to fall below 2 percent, the Board should have a reasonable plan to avoid a financial emergency, or the FDOE will appoint a financial emergency board to implement measures to assist the Board in resolving the financial emergency. Also, Section 218.503(3), Florida Statutes, provides that the FDOE may determine whether a school board needs State assistance to resolve or prevent a financial emergency condition.

During the 2011-12 fiscal year, the District's General Fund total assigned and unassigned fund balance declined 71 percent from \$3,600,315 to \$1,034,850, representing a reduction of \$2,565,465. At June 30, 2012, this fund balance represented 1.62 percent of General Fund total revenues. District personnel indicated that the level of assigned and unassigned fund balance in the General Fund declined mainly because expenditures remained relatively constant and there were decreases in Federal economic stimulus funding of \$6.8 million, State of Florida Education and Finance Program funding of \$2.4 million, and property tax revenues of \$1.4 million. In these circumstances, the District has significantly less resources available for emergencies and unforeseen situations than other school districts of comparable size.

To comply with Section 1011.051, Florida Statutes, the District notified the FDOE of the District's fiscal recovery plan in a letter dated September 26, 2012, and, on October 12, 2012, the FDOE approved the plan. The plan projected that if no recovery strategies were implemented, the General Fund total budgeted assigned and unassigned fund balance at June 30, 2013, would be \$694,249, or 1.10 percent of General Fund total budgeted revenues. The plan identified certain recommended fiscal recovery strategies, such as staffing reductions, decreases in purchases of materials and supplies, and use of ad valorem tax levy proceeds for eligible operating expenditures. The plan stated that, if implemented, these strategies would increase projected fund balance by \$1,418,110 to an ending fund balance of \$2,112,359, or 3.36 percent of General Fund total budgeted revenues for the 2012-13 fiscal year.

Recommendation: The Board and the Superintendent should continue to closely monitor the District's budget and take the necessary actions to ensure that an adequate fund balance is maintained in the General Fund.

Finding No. 2: Compensation and Salary Schedules

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

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

The 2011-12 fiscal year salary schedule and union contract for instructional personnel provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. The instructional personnel salary schedule 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 instructors 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 differentiated pay would be provided for level of job performance difficulties and school demographics for instructors willing to transfer to schools classified as F schools. The District made supplemental salary payments to instructional personnel for additional responsibilities and critical shortage areas, and no differentiated salary payments based on level of job performance difficulties and school demographics because there were no F schools. The District had no F schools for the last four fiscal years, and had not determined alternative useful and relevant level of job performance difficulties and school demographic factors to use for instructional personnel it employed at 17 total schools and centers.

District personnel indicated that salary schedule revisions to comply with the statutory performance and differentiated pay requirements will be implemented in the 2013-14 fiscal year. Without a Board-established documented process for identifying the basis for differentiated pay, the District may be limited in its ability to demonstrate that differentiated pay factors are consistently considered and applied. Similar findings were noted in our report Nos. 2011-112 and 2012-051.

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

Finding No. 3: Adult General Education Classes

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

The FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. The FDOE procedures also state that if a student withdraws and reenrolls in the same class, the District is to report the student hours from the first date of enrollment to the final withdrawal date or the end of class, whichever is sooner.

For the 2011-12 fiscal year, the District reported to the FDOE 56,380 adult general education instructional contact hours for 588 students enrolled in 216 classes. To determine the propriety of hours reported, we tested 10 students enrolled in 10 adult general education classes for 1,449 hours in fall 2011 and noted that the District underreported 102 hours for 4 students enrolled in 3 classes. District personnel indicated the underreported hours occurred mainly because students withdrew and reenrolled, but were not reported from their original enrollment date, contrary to the FDOE procedures.

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

Recommendation: The District should enhance its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE.

Finding No. 4: Information Technology – Security Controls – Data Loss Prevention

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit disclosed certain District security controls related to data loss prevention that 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 risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. A similar finding was noted in our report No. 2012-051.

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. 5: 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 to affected parties.

Although the District implemented an Incident Response Plan (Plan) in February 2012 that detailed the responsibilities and procedures for identifying and analyzing security violations, the Plan did not detail procedures for logging these incidents. 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 that includes procedures for logging security violations may 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. A similar finding was noted in our report No. 2012-051.

Recommendation: The District should enhance its written security incident response plan to include procedures for logging security violations.

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: ARRA – State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395)

Finding Type: Significant Deficiency and Noncompliance

Questioned Costs: \$12,534

Allowable Cost/Cost Principles. United States Office of Management and Budget Circular A-87 provides principles for determining allowable costs, including indirect costs that may be allocated to a Federal program. Indirect costs are costs that are incurred for a common or joint purpose, are not readily assignable to the cost objectives specifically benefited without efforts disproportionate to the results achieved, and are calculated by multiplying allowed costs by an approved indirect cost rate.

During the 2011-12 fiscal year, District personnel periodically charged indirect costs to the Race-to-the-Top program by applying the District's 3.86 percent indirect cost rate to year-to-date cumulative expenditures, instead of applying the indirect cost rate to current monthly expenditures. As a result, the District inadvertently applied the indirect cost rate to expenditure amounts previously assessed indirect charges, resulting in \$12,534 of overcharged indirect costs to the Race-to-the-Top program. The \$12,534 represents questioned costs subject to disallowance by the grantor (FDOE).

Recommendation: The District should enhance procedures to ensure that it properly applies the indirect cost rate to expenditures, and restore the \$12,534 of questioned costs to the Race-to-the-Top program.

District Contact Person: Mary Loughran, Director of Finance

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2012-051. The following table provides information on the District's recurring audit findings:

Current Fiscal Year Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers	2009-10 Fiscal Year Audit Report and Finding Numbers
2	Audit Report No. 2012-051, Finding No. 2	Audit Report No. 2011-012, Finding No. 2
4	Audit Report No. 2012-051, Finding No. 6	NA
5	Audit Report No. 2012-051, Finding No. 7	NA

NA – Not Applicable.

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, 2012*

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2012-051 (1)	Title I Grants to Local Educational Agencies (CFDA No. 84.010) - Allowable Costs/Cost Principles	The District allocated transportation costs to its Title I program at higher rates than other non-Title I program services, resulting in questioned costs of \$15,438.	Corrected.	The District restored the questioned costs to the program.
2012-051 (2)	Special Education - Grants to States (CFDA No. 84.027) - Allowable Costs/Cost Principles	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.	Corrected.	Grantor sustained the finding but did not require repayment of the questioned costs.
2012-051 (3)	State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) - Period of Availability	The District expended certain funds outside the period of availability, resulting in questioned costs of \$71,779.	Corrected.	The District restored the questioned costs to the program.

EXHIBIT A
MANAGEMENT'S RESPONSE

COLUMBIA COUNTY SCHOOL DISTRICT
OFFICE OF THE SUPERINTENDENT

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ALEX L. CARSWELL, JR.
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FOR OPERATIONS, BUDGETING AND
SECONDARY EDUCATION

NARRAGANSETT M. SMITH
ASSISTANT SUPERINTENDENT
FOR SUPPORT SERVICES, FEDERAL PROJECTS AND
ELEMENTARY EDUCATION



MEMBERS OF THE BOARD

DANA GLENN BRADY
STEPHANIE K. FINNELL
KEITH HUDSON
LINARD JOHNSON
STEVE NELSON

February 5, 2013

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 January 24, 2013, regarding the preliminary and tentative audit findings and recommendations. The District submits the following responses:

Financial Condition

The District designed an initial strategy to ensure that General Fund would have an adequate fund balance with the submission of the 2012-13 Budget in September 2012. Since November, we have taken additional steps to further ensure that the District will not only meet the initial projections for the 2012-13 fiscal year but lay the ground work for a sound financial structure for the future.

Compensation and Salary Schedules

The District continues to make progress towards establishing a documented process for ensuring that differentiated pay of instructional personnel is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c)4.b., Florida Statutes.

Adult General Education Classes

The District has enhanced its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education. The procedures were implemented in the 2012-13 fiscal year. No changes were made to the hours reported for the 2011-12 fiscal year since the system was closed for the 2011-12 year before the situation was discovered and could be resolved. There was no adverse impact on the District financially in the 2011-12 fiscal year but accurate reporting is always our goal and we appreciate it being brought to our attention.

Information Technology

- **Security Controls - Data Loss Prevention**
The Data Processing Department acknowledges this audit finding and has taken steps to address the issue. The Columbia County School District Data Processing Procedures manual has been updated regarding database access. Database files containing personally identifiable information covered by privacy regulations have been identified.

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EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

- Security Incident Response Plan

We acknowledge this finding. Since receipt of the audit report, the initial Columbia County School District Security Incident Plan was written and approved by the Columbia County School Board on February 14, 2012.

In addition to the Plan, a committee has been assembled to update data security issues and documentation. The committee is:

1. Updating the Incident Response Plan regarding:
 - a. Training of the response team.
 - b. Better identify sensitive data.
 - c. Ensure that it complies with current privacy regulations.
2. Updating the Technology Use policy regarding keeping sensitive information on personal computers.
3. Updating network access policies.

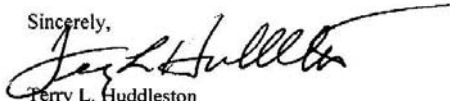
Federal Awards Finding – Allowable Costs/Cost Principles

ARRA – State Fiscal Stabilization Fund (SFSF) – Race to the Top Incentive Grants, Recovery Act (CFDA No. 84.395).

The District acknowledges the inaccurate application of the indirect cost rate to this program and the subsequent miscalculation of indirect costs in the amount of \$12,534. The funds have been restored to the program.

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,



Terry L. Huddleston
Superintendent of Schools

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