

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2013



BOARD MEMBERS AND SUPERINTENDENTS

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

	<u>District No.</u>
Linard Johnson	1
Charles H. Maxwell to 11-19-12	2
Dana Glenn Brady from 11-20-12	2
Steve Nelson, Chair	3
Keith Hudson, Vice Chair from 11-20-12	4
Glenn J. Hunter to 11-19-12, Vice Chair	5
Stephanie K. Finnell from 11-20-12	5

Michael F. Millikin, Superintendent to 11-19-12
Terry Huddleston, Superintendent from 11-20-12

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

The audit team leader was Edward A. Waller, and the audit was supervised by Cathy L. Bandy, CPA. For the information technology portion of this audit, the audit team leader was Earl Butler, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Director, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 412-2863.

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

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

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	11
Statement of Activities.....	12
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Statement of Net Position – Proprietary Fund.....	21
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	22
Statement of Cash Flows – Proprietary Fund.....	23
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.....	24
Notes to Financial Statements	25
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General and Major Special Revenue Funds.....	48
Schedule of Funding Progress – Other Postemployment Benefits Plan.....	51
Notes to Required Supplementary Information.....	52
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	53
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	54
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE	56
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	59
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS	69
EXHIBIT A MANAGEMENT'S RESPONSE	70

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: During the 2012-13 fiscal year, the District's General Fund total assigned and unassigned fund balance declined 56 percent from \$1,034,850 to \$453,761, resulting in significantly less resources for emergencies and unforeseen situations than other school districts of comparable size.

Finding No. 2: The District did not timely and prominently post all required budget information on its Web site.

Finding No. 3: The District did not obtain the required biennial actuarial valuation for the other postemployment benefit obligations.

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

Finding No. 5: Some inappropriate or unnecessary information technology (IT) access privileges existed.

Finding No. 6: The District's IT security incident response plan needed improvement.

Finding No. 7: The District's IT security controls related to user authentication, data loss prevention, and logging and monitoring of system activity needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Special Education Cluster, School Improvement Grants Cluster, and Race-to-the-Top programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs, except for the Special Education Cluster programs. Noncompliance and control deficiency findings are summarized below.

Federal Awards Finding No. 1: The District's local fiscal effort for the Special Education Program services decreased from the 2011-12 fiscal year to the 2012-13 fiscal year, resulting in a maintenance of effort shortfall of \$365,200.

Federal Awards Finding No. 2: District records did not evidence the allowability of certain Federal expenditures, resulting in \$16,793 of questioned costs for the School Improvement Grants program.

Federal Awards Finding No. 3: The District did not maintain the required documentation to support custodial personnel salary and benefits, resulting in \$110,259 of questioned costs for the Child Nutrition Cluster programs.

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. 2013-136.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2013. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-412-2722
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 52 percent of the assets and 100 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the discretely presented component unit, as described in note I to the financial statements, which represents 100 percent of the transactions and account balances of the discretely presented component unit columns. 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 discretely presented component unit, are based solely 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the 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, 2013, 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.

Emphasis of Matter

As discussed in note II to the financial statements, the Columbia County Public Schools Foundation, Inc., has been reported as a discretely presented component unit in prior fiscal years; however, the Foundation no longer meets the criteria of being a component unit of the District and, therefore, is not reported for the 2012-13 fiscal year. This affects the comparability of amounts reported on the financial statements for the 2012-13 fiscal year with amounts reported on the financial statements for the 2011-12 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

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

Respectfully submitted,



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

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

Government-wide Financials

- In total, net position decreased \$2,892,295.59 from the 2011-12 fiscal year. This decline is not as large as the prior fiscal year decrease of \$4,738,668.67.
- General revenues total \$76,029,177.43, or 93.4 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$5,406,013.29, or 6.6 percent of all revenues.
- Expenses total \$84,327,486.31, of which \$5,406,013.29 is offset by program specific charges, with the remainder paid from general revenues. Total expenditures exceeded total revenues by \$2,892,295.59.

Fund Financials

- The total assigned and unassigned portions of the General Fund balance decreased by \$581,089.08, from \$1,034,850.31 at June 30, 2012, to \$453,761.23 at June 30, 2013. This portion of the fund balance represents net current financial resources available for general appropriation by the Board.
- The ratio of assigned and unassigned fund balance to General Fund revenues at June 30, 2013 is 0.7 percent, and is below the target set in the Board's strategic plan of between 2 and 4 percent. The ratio was 1.6 percent at June 30, 2012, and 5.4 percent at June 30, 2011.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

This report also includes supplementary information intended to furnish additional details to support the basic 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 position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets and liabilities using an economic resources measurement focus. Assets less liabilities equal net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's

financial health is improving or deteriorating. 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 included in its school buildings and administrative facilities.

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 one separate legal entity in this report. The Shining Star Academy of the Arts Charter School is a legally separate organization and component unit that is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

The Columbia County 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.

Fund Financial Statements

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

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Food Service Fund, Special Revenue – Other Fund, and Special Revenue – Federal Economic Stimulus 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 have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds: Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The District uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide other postemployment benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Net Position, End of Year	
	Governmental Activities	
	6-30-13	6-30-12
Current and Other Assets	\$ 4,608,478.50	\$ 6,417,517.76
Capital Assets	109,994,673.63	112,003,022.55
Total Assets	114,603,152.13	118,420,540.31
Long-Term Liabilities	34,658,885.69	35,779,461.60
Other Liabilities	1,386,280.31	1,190,796.99
Total Liabilities	36,045,166.00	36,970,258.59
Net Position:		
Net Investment in Capital Assets	83,586,807.79	84,247,326.41
Restricted	2,302,743.74	3,628,587.55
Unrestricted Deficit	(7,331,565.40)	(6,425,632.24)
Total Net Position	\$ 78,557,986.13	\$ 81,450,281.72

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

The restricted portion of the District’s net position 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 position for the fiscal years ended June 30, 2013, and June 30, 2012, are as follows:

	Operating Results for the Fiscal Year Ended	
	Governmental	
	Activities	
	6-30-13	6-30-12
Program Revenues:		
Charges for Services	\$ 1,344,057.96	\$ 1,148,061.48
Operating Grants and Contributions	3,796,171.63	3,749,957.89
Capital Grants and Contributions	265,783.70	403,658.08
General Revenues:		
Property Taxes, Levied for Operational Purposes	14,747,101.16	15,618,770.69
Property Taxes, Levied for Capital Projects	3,740,827.46	3,830,867.60
Grants and Contributions Not Restricted to Specific Programs	55,922,750.31	55,097,963.59
Unrestricted Investment Earnings	11,794.49	15,811.27
Miscellaneous	1,606,704.01	1,980,532.45
Total Revenues	81,435,190.72	81,845,623.05
Functions/Program Expenses:		
Instruction	44,334,574.10	45,038,200.50
Pupil Personnel Services	4,703,270.56	4,984,826.48
Instructional Media Services	959,813.69	896,052.32
Instruction and Curriculum Development Services	1,660,002.35	1,507,229.09
Instructional Staff Training Services	1,330,881.04	1,541,834.22
Instruction Related Technology	966,450.68	637,961.19
School Board	391,680.36	413,386.72
General Administration	736,021.87	850,860.70
School Administration	4,229,957.11	4,331,945.77
Facilities Acquisition and Construction		599,717.32
Fiscal Services	477,049.96	464,594.66
Food Services	4,453,627.16	4,678,700.46
Central Services	803,873.79	899,960.70
Pupil Transportation Services	4,677,000.17	5,170,856.89
Operation of Plant	7,095,855.56	6,560,481.17
Maintenance of Plant	1,926,273.92	2,198,416.91
Administrative Technology Services	693,083.87	831,821.18
Community Services	330,381.31	343,517.17
Unallocated Interest on Long-Term Debt	1,296,072.77	1,353,914.23
Unallocated Depreciation Expense	3,250,288.34	3,228,023.00
Loss on Disposal of Capital Assets	11,327.70	51,991.04
Total Functions/Program Expenses	84,327,486.31	86,584,291.72
Change in Net Position	(2,892,295.59)	(4,738,668.67)
Net Position - Beginning	81,450,281.72	86,188,950.39
Net Position - Ending	\$ 78,557,986.13	\$ 81,450,281.72

The largest revenue source is the State of Florida (59.4 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. Overall, governmental revenues were essentially unchanged from the prior fiscal year.

The District implemented fiscal recovery strategies to decrease expenses during the 2012-13 fiscal year, including reduction of staff and material and supplies expenses.

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Major Governmental Funds

The General Fund is the District’s chief operating fund. For the past three fiscal years, the fund balance has decreased significantly from \$4,814,373.78 at June 30, 2011, to \$2,056,050.06 at June 30, 2012, and to \$1,397,129.82 at June 30, 2013. The most significant decrease in the fund balance occurred during the fiscal year ended June 30, 2012. In the fiscal year ended June 30, 2012, revenues decreased by over \$2.9 million, yet expenditures increased by over \$0.5 million. Reductions of expenditures of over \$0.85 million were made in the fiscal year ending June 30, 2013, to correct the financial trend, and transfers from other funds were increased to support operations. Unfortunately, the corrections were not enough to overcome the trend from the previous year coupled with the opening of the District’s first charter school which caused a decrease in full-time enrollment (FTE) funding. The budget for the following fiscal year again includes significant reductions in expenditures to improve the financial condition of the District.

Operating Results for the Fiscal Year Ended - General Fund

	6-30-13	6-30-12	6-30-11
Revenues	\$ 64,574,237.39	\$ 63,827,190.63	\$ 66,743,447.78
Expenditures	66,650,974.34	67,501,669.79	66,990,601.58
Other Financing Sources	1,417,816.71	916,155.44	717,430.73
Net Change in Fund Balance	<u>(658,920.24)</u>	<u>(2,758,323.72)</u>	<u>470,276.93</u>
Total Fund Balance	<u>1,397,129.82</u>	<u>2,056,050.06</u>	<u>4,814,373.78</u>
Assigned and Unassigned Fund Balance	<u>453,761.23</u>	<u>1,034,850.31</u>	<u>3,600,314.54</u>
Unassigned as a percentage of Revenue	<u>0.70%</u>	<u>1.62%</u>	<u>5.39%</u>

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. Revenues under Federal grants, either directly from Federal agencies or passed through the State, decreased \$686,307.95 or 8.2 percent. This is a result of program cuts and sequestration.

The Special Revenue – Food Service Fund has a total fund balance of \$1,188,088.78. It should be noted that \$84,917.28 is nonspendable, while the remaining \$1,103,171.50 fund balance is restricted. Fund balance decreased by \$237,155.65, mostly due to transfers out to the General Fund to reimburse custodial and utility costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final budgeted revenues and expenditures were adjusted to actual amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2013, is \$109,994,673.63 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under lease-purchase; construction in progress; and audio visual materials and computer software.

There were no major capital asset transactions during the 2012-13 fiscal year.

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

Long-Term Debt

At June 30, 2013, the District has total long-term debt outstanding of \$26,407,865.84, comprised of \$995,000.00 of bonds payable, \$21,765,000.00 of certificates of participation payable, \$389,330.43 of obligations under lease-purchase, and \$3,258,535.41 of notes payable.

Additional information on the District's long-term debt can be found in note III, sections H and J, to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The Columbia County School Board continues to face the challenge of limited funding to support quality instruction. To add to the difficulty of maintaining financial stability, charter schools have become a part of the local educational environment. The District is experiencing a decline in available State FEFP funding as students and their associated FTE funding are going to the new charter schools. During the 2012-13 fiscal year, the Shining Star Academy for the Arts opened with 235.93 FTEs, which resulted in a loss of funding to the District of \$1,328,296. For the 2013-14 fiscal year, the Shining Star Academy projects 244 FTEs and resulting FEFP revenues of \$1,433,357. This has significantly impacted the District's revenues. 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

This financial report is designed to provide a general overview of the District's finances. 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 Bonnie Penner, 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 POSITION
June 30, 2013**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Cash and Cash Equivalents	\$ 2,983,036.69	\$ 8,084.00
Investments	115,521.67	
Accounts Receivable	145,724.82	
Due from Other Agencies	938,047.61	
Prepaid Items		25,600.00
Deposits		5,020.00
Inventories	426,147.71	
Capital Assets:		
Nondepreciable Capital Assets	3,178,860.09	
Depreciable Capital Assets, Net	<u>106,815,813.54</u>	<u>195,963.00</u>
TOTAL ASSETS	<u>114,603,152.13</u>	<u>234,667.00</u>
LIABILITIES		
Salaries and Benefits Payable	1,224,600.08	
Payroll Deductions and Withholdings	1,056.96	
Accounts Payable and Accrued Expenses	153,196.54	90,001.00
Accounts Receivable Purchase Advancement		70,000.00
Due to Other Agencies	7,426.73	
Long-Term Liabilities:		
Portion Due Within One Year	2,269,687.28	51,136.00
Portion Due After One Year	<u>32,389,198.41</u>	<u>6,956.00</u>
TOTAL LIABILITIES	<u>36,045,166.00</u>	<u>218,093.00</u>
NET POSITION		
Net Investment in Capital Assets	83,586,807.79	185,445.00
Restricted for:		
State Required Carryover Programs	513,993.25	
Debt Service	155,015.49	
Capital Projects	445,646.22	
Food Service	1,188,088.78	
Other Purposes		1,945.00
Unrestricted Deficit	<u>(7,331,565.40)</u>	<u>(170,816.00)</u>
TOTAL NET POSITION	<u>\$ 78,557,986.13</u>	<u>\$ 16,574.00</u>

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, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 44,334,574.10	\$ 145,006.74	\$	\$
Pupil Personnel Services	4,703,270.56			
Instructional Media Services	959,813.69			
Instruction and Curriculum Development Services	1,660,002.35			
Instructional Staff Training Services	1,330,881.04			
Instruction Related Technology	966,450.68			
School Board	391,680.36			
General Administration	736,021.87			
School Administration	4,229,957.11			
Facilities Acquisition and Construction			69,963.93	
Fiscal Services	477,049.96			
Food Services	4,453,627.16	726,807.07	3,726,207.70	
Central Services	803,873.79			
Pupil Transportation Services	4,677,000.17	139,589.54		
Operation of Plant	7,095,855.56			
Maintenance of Plant	1,926,273.92	332,654.61		
Administrative Technology Services	693,083.87			
Community Services	330,381.31			
Unallocated Interest on Long-Term Debt	1,296,072.77			265,783.70
Unallocated Depreciation Expense*	3,250,288.34			
Loss on Disposal of Capital Assets	11,327.70			
Total Primary Government	\$ 84,327,486.31	\$ 1,344,057.96	\$ 3,796,171.63	\$ 265,783.70
Component Unit				
Charter School	\$ 1,458,830.00	\$ 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 Position

Net Position - Beginning
Adjustment to Beginning Net Position

Adjusted Net Position - Beginning

Net Position - Ending

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

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

<u>Net (Expense) Revenue and Changes in Net Position</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Unit</u>
<u>Activities</u>	
\$ (44,189,567.36)	\$
(4,703,270.56)	
(959,813.69)	
(1,660,002.35)	
(1,330,881.04)	
(966,450.68)	
(391,680.36)	
(736,021.87)	
(4,229,957.11)	
69,963.93	
(477,049.96)	
(612.39)	
(803,873.79)	
(4,537,410.63)	
(7,095,855.56)	
(1,593,619.31)	
(693,083.87)	
(330,381.31)	
(1,030,289.07)	
(3,250,288.34)	
(11,327.70)	
<u>(78,921,473.02)</u>	
	<u>(1,458,830.00)</u>
14,747,101.16	
3,740,827.46	
55,922,750.31	1,475,404.00
11,794.49	
1,606,704.01	
<u>76,029,177.43</u>	<u>1,475,404.00</u>
(2,892,295.59)	16,574.00
81,450,281.72	97,151.00
	<u>(97,151.00)</u>
<u>81,450,281.72</u>	
<u>\$ 78,557,986.13</u>	<u>\$ 16,574.00</u>

**COLUMBIA COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013**

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 1,495,985.30	\$ 935,893.31	\$
Investments	25,531.34	3,751.07	
Accounts Receivable	142,667.86	3,056.96	
Due from Other Funds	733,141.66		1,470.27
Due from Other Agencies		165,678.67	690,220.22
Inventories	<u>344,981.50</u>	<u>81,166.21</u>	
TOTAL ASSETS	<u>\$ 2,742,307.66</u>	<u>\$ 1,189,546.22</u>	<u>\$ 691,690.49</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 1,220,506.44	\$	\$ 4,093.64
Payroll Deductions and Withholdings	1,056.96		
Accounts Payable	116,187.71	1,457.44	35,133.64
Due to Other Funds			652,463.21
Due to Other Agencies	<u>7,426.73</u>		
Total Liabilities	<u>1,345,177.84</u>	<u>1,457.44</u>	<u>691,690.49</u>
Fund Balances:			
Nonspendable:			
Inventories	344,981.50	81,166.21	
Fund B Investments	25,531.34	3,751.07	
Total Nonspendable Fund Balance	<u>370,512.84</u>	<u>84,917.28</u>	
Restricted for:			
State Required Carryover Programs	513,993.25		
Debt Service			
Capital Projects			
Donor Designations	58,862.50		
Food Service		1,103,171.50	
Total Restricted Fund Balance	<u>572,855.75</u>	<u>1,103,171.50</u>	
Assigned for:			
Contractual Agreements	35,104.88		
Unassigned Fund Balance	<u>418,656.35</u>		
Total Fund Balances	<u>1,397,129.82</u>	<u>1,188,088.78</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,742,307.66</u>	<u>\$ 1,189,546.22</u>	<u>\$ 691,690.49</u>

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

Special Revenue - Federal Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 514,422.45	\$ 2,946,301.06
	86,239.26	115,521.67
		145,724.82
82,148.72		734,611.93
		938,047.61
		426,147.71
<u>\$ 82,148.72</u>	<u>\$ 600,661.71</u>	<u>\$ 5,306,354.80</u>
\$	\$	\$ 1,224,600.08
		1,056.96
82,148.72		152,778.79
		734,611.93
		7,426.73
<u>82,148.72</u>		<u>2,120,474.49</u>
		426,147.71
	56,759.42	86,041.83
	<u>56,759.42</u>	<u>512,189.54</u>
		513,993.25
	155,015.49	155,015.49
	388,886.80	388,886.80
		58,862.50
		1,103,171.50
	<u>543,902.29</u>	<u>2,219,929.54</u>
		35,104.88
		<u>418,656.35</u>
	600,661.71	3,185,880.31
<u>\$ 82,148.72</u>	<u>\$ 600,661.71</u>	<u>\$ 5,306,354.80</u>

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

Total Fund Balances - Governmental Funds	\$	3,185,880.31
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		109,994,673.63
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 are included in governmental activities in the statement of net position.		36,317.88
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	\$	389,330.43
Notes Payable		3,258,535.41
Bonds Payable		995,000.00
Certificates of Participation Payable		21,765,000.00
Compensated Absences Payable		5,686,133.85
Other Postemployment Benefits Payable		2,564,886.00
		<u>(34,658,885.69)</u>
Net Position - Governmental Activities	\$	<u>78,557,986.13</u>

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, 2013**

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 54,878.17	\$	\$
Federal Through State and Local	634,249.64	3,654,959.70	6,599,296.06
State	47,501,104.67	71,248.00	
Local:			
Property Taxes	14,747,101.16		
Charges for Services	284,596.28	726,807.07	
Miscellaneous	1,352,307.47	1,461.66	
Total Local Revenues	<u>16,384,004.91</u>	<u>728,268.73</u>	
Total Revenues	<u>64,574,237.39</u>	<u>4,454,476.43</u>	<u>6,599,296.06</u>
Expenditures			
Current - Education:			
Instruction	40,137,646.52		3,603,597.34
Pupil Personnel Services	3,598,477.03		1,068,337.84
Instructional Media Services	949,571.70		2,141.85
Instruction and Curriculum Development Services	697,929.10		864,146.37
Instructional Staff Training Services	447,756.99		829,791.55
Instruction Related Technology	607,934.04		
School Board	391,680.36		
General Administration	605,299.54		127,479.95
School Administration	4,196,379.18		5,589.39
Fiscal Services	475,344.22		
Food Services	25,250.96	4,420,978.41	
Central Services	762,425.21		54.24
Pupil Transportation Services	4,060,127.83		65,741.35
Operation of Plant	7,084,520.48		1,847.49
Maintenance of Plant	1,921,013.88		
Administrative Technology Services	288,433.33		
Community Services	329,555.97		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	12,244.79		
Other Capital Outlay	51,171.84	66,444.15	30,568.69
Debt Service:			
Principal			
Interest and Fiscal Charges	8,211.37		
Total Expenditures	<u>66,650,974.34</u>	<u>4,487,422.56</u>	<u>6,599,296.06</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,076,736.95)</u>	<u>(32,946.13)</u>	
Other Financing Sources (Uses)			
Transfers In	1,378,376.47		
Insurance Loss Recoveries	39,440.24		
Transfers Out		(204,209.52)	
Total Other Financing Sources (Uses)	<u>1,417,816.71</u>	<u>(204,209.52)</u>	
Net Change in Fund Balances	(658,920.24)	(237,155.65)	
Fund Balances, Beginning	2,056,050.06	1,425,244.43	
Fund Balances, Ending	<u>\$ 1,397,129.82</u>	<u>\$ 1,188,088.78</u>	<u>\$ 0.00</u>

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

Special Revenue - Federal Economic Stimulus Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
1,133,221.77		54,878.17
	558,997.63	12,021,727.17
	3,740,827.46	48,131,350.30
	1,893.76	18,487,928.62
	3,742,721.22	1,011,403.35
		1,355,662.89
		<u>20,854,994.86</u>
<u>1,133,221.77</u>	<u>4,301,718.85</u>	<u>81,062,950.50</u>
449,793.04		44,191,036.90
22,058.84		4,688,873.71
4,765.72		956,479.27
92,335.97		1,654,411.44
49,541.17		1,327,089.71
357,334.37		965,268.41
1,144.83		391,680.36
12,358.01		733,924.32
		4,214,326.58
		475,344.22
		4,446,229.37
38,984.00		801,463.45
85,908.76		4,211,777.94
		7,086,367.97
		1,921,013.88
2,280.00		290,713.33
		329,555.97
	1,532,046.04	1,544,290.83
16,717.06		164,901.74
	1,347,830.30	1,347,830.30
	1,287,861.40	1,296,072.77
<u>1,133,221.77</u>	<u>4,167,737.74</u>	<u>83,038,652.47</u>
	133,981.11	(1,975,701.97)
		1,378,376.47
		39,440.24
	(1,174,166.95)	(1,378,376.47)
	(1,174,166.95)	39,440.24
	(1,040,185.84)	(1,936,261.73)
	1,640,847.55	5,122,142.04
<u>\$ 0.00</u>	<u>\$ 600,661.71</u>	<u>\$ 3,185,880.31</u>

**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, 2013**

Net Change in Fund Balances - Governmental Funds \$ (1,936,261.73)

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. (1,997,021.22)

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets. (11,327.70)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current fiscal year.

Obligation Under Lease-Purchase	\$	115,592.48	
Notes Payable		297,237.82	
Bonds Payable		210,000.00	
Certificates of Participation Payable		725,000.00	1,347,830.30

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. (227,254.39)

Internal service funds are used by management to charge the cost of certain activities to individual funds. The net expense of the internal service fund is reported with governmental activities. (68,260.85)

Change in Net Position - Governmental Activities **\$ (2,892,295.59)**

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

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

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 36,735.63
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 417.75
NET POSITION	
Unrestricted	36,317.88
TOTAL LIABILITIES AND NET POSITION	\$ 36,735.63

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

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Revenues from Member Districts	\$ 332,654.61
OPERATING EXPENSES	
Salaries	76,868.00
Employee Benefits	14,985.74
Purchased Services	303,389.09
Materials and Supplies	4,800.00
Capital Outlay	1,018.00
Total Operating Expenses	<u>401,060.83</u>
Operating Loss	<u>(68,406.22)</u>
NONOPERATING REVENUES	
Interest Revenue	<u>145.37</u>
Change in Net Position	(68,260.85)
Total Net Position - Beginning	<u>104,578.73</u>
Total Net Position - Ending	<u><u>\$ 36,317.88</u></u>

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, 2013**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Member Districts	\$ 332,654.61
Cash Payments to Suppliers for Goods and Services	(308,789.34)
Cash Payments to Employees for Services	(91,853.74)
	(67,988.47)
Net Cash Used by Operating Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	145.37
	145.37
Net Cash Provided by Investing Activities	
Net Decrease in Cash and Cash Equivalents	(67,843.10)
Cash and Cash Equivalents, Beginning	104,578.73
	\$ 36,735.63
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (68,406.22)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Increase in Accounts Payable	417.75
	(67,988.47)
Net Cash Used by Operating Activities	

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, 2013**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	<u>\$ 677,819.09</u>
LIABILITIES	
Accounts Payable	8,183.13
Internal Accounts Payable	<u>669,635.96</u>
TOTAL LIABILITIES	<u>\$ 677,819.09</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, 2013**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. All fiduciary activities are reported only in the fund financial statements. Governmental activities are supported by taxes, intergovernmental revenues, and other nonexchange transactions. Likewise, the primary government is reported separately from the legally separated component unit for which the primary government is financially accountable.

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

B. Reporting Entity

The 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, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of 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 legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading. Based on the application of these criteria, the following component units are included within the District's reporting entity:

Blended Component Unit. Blended component units, are in substance, part of the primary District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. 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 III.J.2. 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.

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

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. A separate column is used to emphasize that they are legally separate from the District.

The Shining Star Academy of the Arts Charter School began operations during the 2012-13 fiscal year and is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter school operates under a charter approved by its sponsor, the Columbia County District School Board. The charter school is considered to be a component unit of the District because the District is financially accountable for the charter school as the District established the charter school by approval of the charter, which is tantamount to the initial appointment of the charter school, and there is the potential for the charter school to provide specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter school is a public school and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the charter school's audited financial statements for the fiscal year ended June 30, 2013. The audit report is filed in the District's administrative offices.

C. Basis of Presentation: Government-wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Food Service Fund – to account for the financial resources of the District's food service program.

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

- 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).

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

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

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

E. Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditures are generally recognized when

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

the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

The charter school is accounted for as a governmental organization and follows the same accounting model as the District's governmental activities.

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

1. Cash and Cash Equivalents

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

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

2. Investments

Investments consist of amounts placed 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 1.11845939 at June 30, 2013. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

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

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

3. Inventories

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

4. Capital Assets

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

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.

5. Long-Term Liabilities

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

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

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

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

6. Net Position Flow Assumption

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

7. Fund Balance Flow Assumptions

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

8. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District did not have any committed fund balances at June 30, 2013.

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

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

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

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

3. District Property Taxes

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

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

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

The Board adopted the 2012 tax levy on September 11, 2012. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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.

4. 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.

5. Compensated Absences

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

6. Proprietary Fund Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service fund are contributions received from member districts for operation of the Florida IBM AS/400-TERMS system. Operating expenses include salaries and benefits, purchased services, materials and supplies, and capital outlay expenses for the operation of the Florida IBM AS/400-TERMS system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

II. ACCOUNTING CHANGES

Governmental Accounting Standards Board Statement No. 61. The District implemented Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, effective for the 2012-13 fiscal year. This Statement, in part, modifies certain requirements for inclusion of component units in the financial reporting entity. The Columbia County Public Schools Foundation, Inc. (Foundation), has been reported as a discretely presented component unit in prior fiscal years; however, because the Foundation’s activity has decreased, it is no longer considered significant to the District. As such, the Foundation no longer meets the criteria of a component unit, and is not reported in the District’s financial statements for the 2012-13 fiscal year affecting the comparability of financial statements for the 2012-13 and 2011-12 fiscal years. The following summarizes the resulting prior period adjustment.

Beginning Net Position - \$97,151
 Prior Period Adjustment - (\$97,151)
 Beginning Net Position (Post Adjustment) - \$0

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

Cash balances from all funds are combined and invested to extent available. Earnings are allocated monthly to each fund balance on average daily balances.

B. Investments

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

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	40 Day Average	\$ 88,417.67
Fund B	3.98 Year Average	86,041.83
Debt Service Accounts	6 Months	29,479.84
Total Investments, Primary Government		\$ 203,939.34

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

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

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

➤ Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (SEC) 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, 2013**

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 2,924,298.22	\$	\$	\$ 2,924,298.22
Construction in Progress	219,275.67	35,286.20		254,561.87
Total Capital Assets Not Being Depreciated	3,143,573.89	35,286.20		3,178,860.09
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,053,802.42			3,053,802.42
Buildings and Fixed Equipment	147,603,038.40	1,509,004.63		149,112,043.03
Furniture, Fixtures, and Equipment	5,319,714.45	163,822.74	392,832.18	5,090,705.01
Motor Vehicles	7,992,064.24		492,006.20	7,500,058.04
Property Under Lease-Purchase	2,259,698.08			2,259,698.08
Audio Visual Materials and Computer Software	1,651,194.02	1,079.00		1,652,273.02
Total Capital Assets Being Depreciated	167,879,511.61	1,673,906.37	884,838.38	168,668,579.60
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,952,219.06	141,090.91		2,093,309.97
Buildings and Fixed Equipment	45,259,026.15	2,560,579.15		47,819,605.30
Furniture, Fixtures, and Equipment	3,728,204.73	421,897.18	383,840.36	3,766,261.55
Motor Vehicles	6,027,625.52	455,925.45	489,670.32	5,993,880.65
Property Under Lease-Purchase	632,715.44	45,193.96		677,909.40
Audio Visual Materials and Computer Software	1,420,272.05	81,527.14		1,501,799.19
Total Accumulated Depreciation	59,020,062.95	3,706,213.79	873,510.68	61,852,766.06
Total Capital Assets Being Depreciated, Net	108,859,448.66	(2,032,307.42)	11,327.70	106,815,813.54
Governmental Activities Capital Assets, Net	\$ 112,003,022.55	\$ (1,997,021.22)	\$ 11,327.70	\$ 109,994,673.63

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

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

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 455,925.45
Unallocated	3,250,288.34
 Total Depreciation Expense - Governmental Activities	 \$ 3,706,213.79

D. Florida Retirement System

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

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

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

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

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

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

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

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	5.18
FRS, Elected County Officers	3.00	10.23
DROP - Applicable to Members from All of the Above Classes	0.00	5.44
FRS, Reemployed Retiree	(B)	(B)

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

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions, including employee contributions, for the fiscal years ended June 30, 2011, June 30, 2012, and June 30, 2013, totaled \$5,023,853.72, \$3,267,167.58, and \$3,376,046.44, respectively, which were equal to the required contributions for each fiscal year.

There were 152 District participants in the Investment Plan during the 2012-13 fiscal year. The District’s contributions, including employee contributions, to the Investment Plan totaled \$341,969.28, which was equal to the required contribution for the 2012-13 fiscal year.

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

E. Other Postemployment Benefit Obligations

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

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

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 2012-13 fiscal year, 86 retirees received other postemployment benefits. The District provided required contributions of \$993,012 toward the annual OPEB cost, net of retiree contributions totaling \$524,099, which represents 1.10 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 672,671
Amortization of Unfunded Actuarial Accrued Liability	251,027
Interest on Normal Cost and Amortization	<u>12,053</u>
Annual Required Contribution	935,751
Interest on Net OPEB Obligation	102,595
Adjustment to Annual Required Contribution	<u>(45,334)</u>
Annual OPEB Cost (Expense)	993,012
Contribution Toward the OPEB Cost	<u>(993,012)</u>
Change in Net OPEB Obligation	
Net OPEB Obligation, Beginning of Year	<u>2,564,886</u>
Net OPEB Obligation, End of Year	<u><u>\$2,564,886</u></u>

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

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2013, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010-11	\$ 1,176,271	50%	\$ 1,898,498
2011-12	998,956	33%	2,564,886
2012-13	993,012	100%	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 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, 2013, and the District’s 2012-13 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 an inflation rate of 3 percent, a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 7.8 percent initially beginning March 1, 2011, reduced by various percentages each year, to an ultimate rate of 4.9 percent after 72 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over a 30 year period.

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

F. 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 \$57,894.

G. Risk Management Programs

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

Health and hospitalization coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. The District also participated in a supplemental employee group insurance program that was administered through the Consortium for life, dental, vision, disability, and accidental death and dismemberment.

A claims liability of \$5,000 was estimated to provide for final claims incurred, but not reported, of the self-insured program, which terminated December 31, 2012. 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
2011-12	\$ 137,048.89	\$ 383,956.08	\$ (516,004.97)	\$ 5,000.00
2012-13	5,000.00		(5,000.00)	

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

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

H. 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:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 145,382.94	\$ 122,412.44	\$ 22,970.50
2015	145,382.93	129,634.77	15,748.16
2016	145,382.93	137,283.22	8,099.71
Total Minimum Lease-Purchase Payments	\$ 436,148.80	\$ 389,330.43	\$ 46,818.37

The stated interest rate is 5.9 percent.

I. Changes in Short-Term Debt

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

	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	\$ 0	\$ 850,000	\$ 850,000	\$ 0

Proceeds from the tax anticipation note were used to smooth cash flow variances related to payroll and the receipt of delinquent taxes by June 30, 2013, in the General Fund as permitted under State and Federal tax laws.

J. Long-Term Liabilities

1. Notes Payable

Notes payable at June 30, 2013, are as follows:

<u>Note Description</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
Section 1013.23, Florida Statutes Note LaSalle National Bank	\$ 1,001,135.41	5.9	2016
Chapter 72-510, Laws of Florida (1972) First Federal Bank of Florida	2,257,400.00	3.2475	2027
Total Notes Payable	\$ 3,258,535.41		

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

On November 10, 1988, the District entered into a financing arrangement under the provisions of Section 1013.23, Florida Statutes. The obligation was undertaken to finance renovations, water conservation measures, and refuse reduction measures, and to refinance Phase I of the energy savings contract.

On November 1, 2010, the District entered into a financing arrangement under the 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. The obligation was undertaken to refund the 1998 District Revenue Bonds. The District has pledged as sole security, the entire annual distribution of pari-mutuel tax proceeds of \$223,250. The pledged revenue is committed until final maturity of the debt, or December 1, 2027. Approximately 79 percent of this revenue stream has been pledged in connection with the debt service on the note payable. The annual distribution is remitted by the Florida Department of Financial Services.

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
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	196,815.33	140,400.00	56,415.33
2019-2023	974,508.54	764,200.00	210,308.54
2024-2028	977,975.88	902,600.00	75,375.88
Total	\$ 3,989,377.29	\$ 3,258,535.41	\$ 730,841.88

2. 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

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

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.

The lease payments are payable by the District semiannually, on July 1 and January 1 at interest rates ranging from 4.1 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>
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	1,769,985.00	890,000.00	879,985.00
2019-2023	8,840,945.04	5,060,000.00	3,780,945.04
2024-2028	8,843,417.52	6,325,000.00	2,518,417.52
2029-2032	7,158,669.75	6,275,000.00	883,669.75
Total Minimum Lease Payments	<u>\$ 33,690,107.31</u>	<u>\$ 21,765,000.00</u>	<u>\$ 11,925,107.31</u>

3. Bonds Payable

Bonds payable at June 30, 2013, 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	\$ 885,000	5.0	2017
Series 2005B, Refunding	<u>110,000</u>	5.0	2018
Total Bonds Payable	<u>\$ 995,000</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, 2013**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
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 State School Bonds	\$ 1,123,750	\$ 995,000	\$ 128,750

4. 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	\$ 504,922.91	\$	\$ 115,592.48	\$ 389,330.43	\$ 122,412.44
Notes Payable	3,555,773.23		297,237.82	3,258,535.41	367,274.84
Bonds Payable	1,205,000.00		210,000.00	995,000.00	225,000.00
Certificates of Participation Payable	22,490,000.00		725,000.00	21,765,000.00	755,000.00
Compensated Absences Payable	5,458,879.46	943,543.42	716,289.03	5,686,133.85	800,000.00
Other Postemployment Benefits Payable	2,564,886.00	993,012.00	993,012.00	2,564,886.00	
Total Governmental Activities	\$ 35,779,461.60	\$ 1,936,555.42	\$ 3,057,131.33	\$ 34,658,885.69	\$ 2,269,687.28

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

K. Fund Balance Reporting

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

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

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

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

L. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 733,141.66	\$
Special Revenue:		
Other	1,470.27	652,463.21
ARRA Economic Stimulus		82,148.72
Total	\$ 734,611.93	\$ 734,611.93

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.

M. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

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

Source	Amount
Florida Education Finance Program	\$ 35,967,329.00
Categorical Educational Program - Class Size Reduction	10,461,830.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	340,797.32
School Recognition	279,282.00
Workforce Development Program	265,278.00
Food Service Supplement	69,122.00
Mobile Home License Tax	32,750.96
Miscellaneous	714,961.02
Total	\$ 48,131,350.30

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

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

2. Property Taxes

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

	Millages	Taxes Levied
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.164	\$ 13,158,807.93
Basic Discretionary Local Effort	0.748	1,906,039.69
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	3,822,268.25
Total	7.412	\$ 18,887,115.87

N. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 1,378,376.47	\$
Special Revenue:		
Food Service Fund		204,209.52
Nonmajor Governmental		1,174,166.95
Total	\$ 1,378,376.47	\$ 1,378,376.47

Interfund transfers were to move residual unrestricted funds available which were in excess of debt service requirements for the refunded Series 1998, District Revenue Bonds, to allocate custodial and utility costs to the food services fund, and to move restricted capital outlay revenues to offset eligible expenditures for maintenance salaries and insurance premiums.

IV. 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.

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

V. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. Litigation

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

B. Other Loss Contingencies

The District received financial assistance from Federal and State agencies in the form of grants and appropriations. The disbursement of funds received under these programs generally requires compliance with specified terms and conditions and is subject to final determination by the applicable Federal and State agencies. Any disallowed claims should become a liability of the General Fund or other applicable funds. The questioned costs identified in the audit for the fiscal year ended June 30, 2013, totaled \$492,252.

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, 2013**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 47,000.00	\$ 54,878.17	\$ 54,878.17	\$
Federal Through State and Local State	500,000.00 48,279,742.81	634,249.64 47,501,104.67	634,249.64 47,501,104.67	
Local:				
Property Taxes	14,420,688.00	14,747,101.16	14,747,101.16	
Charges for Services		284,596.28	284,596.28	
Miscellaneous	898,046.75	1,352,307.47	1,352,307.47	
Total Local Revenues	<u>15,318,734.75</u>	<u>16,384,004.91</u>	<u>16,384,004.91</u>	
Total Revenues	<u>64,145,477.56</u>	<u>64,574,237.39</u>	<u>64,574,237.39</u>	
Expenditures				
Current - Education:				
Instruction	39,194,577.51	40,137,646.52	40,137,646.52	
Pupil Personnel Services	3,585,948.58	3,598,477.03	3,598,477.03	
Instructional Media Services	869,077.83	949,571.70	949,571.70	
Instruction and Curriculum Development Services	664,326.21	697,929.10	697,929.10	
Instructional Staff Training Services	441,291.85	447,756.99	447,756.99	
Instruction Related Technology	445,354.32	607,934.04	607,934.04	
School Board	408,750.69	391,680.36	391,680.36	
General Administration	582,499.68	605,299.54	605,299.54	
School Administration	4,235,384.54	4,196,379.18	4,196,379.18	
Facilities Acquisition and Construction	12,813.34			
Fiscal Services	460,338.77	475,344.22	475,344.22	
Food Services		25,250.96	25,250.96	
Central Services	834,572.65	762,425.21	762,425.21	
Pupil Transportation Services	4,186,311.52	4,060,127.83	4,060,127.83	
Operation of Plant	6,143,403.57	7,084,520.48	7,084,520.48	
Maintenance of Plant	1,990,393.95	1,921,013.88	1,921,013.88	
Administrative Technology Services	414,349.43	288,433.33	288,433.33	
Community Services	286,070.61	329,555.97	329,555.97	
Fixed Capital Outlay:				
Facilities Acquisition and Construction		12,244.79	12,244.79	
Other Capital Outlay		51,171.84	51,171.84	
Debt Service:				
Interest		8,211.37	8,211.37	
Total Expenditures	<u>64,755,465.05</u>	<u>66,650,974.34</u>	<u>66,650,974.34</u>	
Excess (Deficiency) of Revenues Over Expenditures	<u>(609,987.49)</u>	<u>(2,076,736.95)</u>	<u>(2,076,736.95)</u>	
Other Financing Sources (Uses)				
Transfers In	986,419.00	1,378,376.47	1,378,376.47	
Insurance Loss Recoveries	50,000.00	39,440.24	39,440.24	
Transfers Out				
Total Other Financing Sources (Uses)	<u>1,036,419.00</u>	<u>1,417,816.71</u>	<u>1,417,816.71</u>	
Net Change in Fund Balances	<u>426,431.51</u>	<u>(658,920.24)</u>	<u>(658,920.24)</u>	
Fund Balances, Beginning	<u>2,056,050.06</u>	<u>2,056,050.06</u>	<u>2,056,050.06</u>	
Fund Balances, Ending	<u>\$ 2,482,481.57</u>	<u>\$ 1,397,129.82</u>	<u>\$ 1,397,129.82</u>	<u>\$ 0.00</u>

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)
\$ 3,620,000.00	\$ 3,654,959.70	\$ 3,654,959.70	\$	\$ 1,512,182.56	\$ 6,599,296.06	\$ 6,599,296.06	\$
73,900.00	71,248.00	71,248.00					
906,270.00	726,807.07	726,807.07					
	1,461.66	1,461.66					
<u>906,270.00</u>	<u>728,268.73</u>	<u>728,268.73</u>					
<u>4,600,170.00</u>	<u>4,454,476.43</u>	<u>4,454,476.43</u>		<u>1,512,182.56</u>	<u>6,599,296.06</u>	<u>6,599,296.06</u>	
				574,865.52	3,603,597.34	3,603,597.34	
				11,545.13	1,068,337.84	1,068,337.84	
				12,321.60	2,141.85	2,141.85	
				158,446.52	864,146.37	864,146.37	
				693,309.57	829,791.55	829,791.55	
				30,794.00			
				28,435.43	127,479.95	127,479.95	
				2,464.79	5,589.39	5,589.39	
4,477,861.00	4,420,978.41	4,420,978.41					
					54.24	54.24	
					65,741.35	65,741.35	
					1,847.49	1,847.49	
	66,444.15	66,444.15			30,568.69	30,568.69	
<u>4,477,861.00</u>	<u>4,487,422.56</u>	<u>4,487,422.56</u>		<u>1,512,182.56</u>	<u>6,599,296.06</u>	<u>6,599,296.06</u>	
<u>122,309.00</u>	<u>(32,946.13)</u>	<u>(32,946.13)</u>					
	(204,209.52)	(204,209.52)					
	(204,209.52)	(204,209.52)					
122,309.00	(237,155.65)	(237,155.65)					
1,399,329.48	1,425,244.43	1,425,244.43					
<u>\$ 1,521,638.48</u>	<u>\$ 1,188,088.78</u>	<u>\$ 1,188,088.78</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**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, 2013**

	Special Revenue - Federal Economic Stimulus Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct				
Federal Through State and Local State	\$ 1,469,650.06	\$ 1,133,221.77	\$ 1,133,221.77	\$
Local:				
Property Taxes				
Charges for Services				
Miscellaneous				
Total Local Revenues				
Total Revenues	<u>1,469,650.06</u>	<u>1,133,221.77</u>	<u>1,133,221.77</u>	
Expenditures				
Current - Education:				
Instruction	431,189.87	449,793.04	449,793.04	
Pupil Personnel Services	6,173.00	22,058.84	22,058.84	
Instructional Media Services	2,961.00	4,765.72	4,765.72	
Instruction and Curriculum Development Services	128,081.24	92,335.97	92,335.97	
Instructional Staff Training Services	139,341.10	49,541.17	49,541.17	
Instruction Related Technology	376,690.45	357,334.37	357,334.37	
School Board				
General Administration	-	1,144.83	1,144.83	
School Administration	18,315.04	12,358.01	12,358.01	
Facilities Acquisition and Construction				
Fiscal Services				
Food Services				
Central Services	262,323.36	38,984.00	38,984.00	
Pupil Transportation Services	101,575.00	85,908.76	85,908.76	
Operation of Plant				
Maintenance of Plant				
Administrative Technology Services	3,000.00	2,280.00	2,280.00	
Community Services				
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay		16,717.06	16,717.06	
Debt Service:				
Interest				
Total Expenditures	<u>1,469,650.06</u>	<u>1,133,221.77</u>	<u>1,133,221.77</u>	
Excess (Deficiency) of Revenues Over Expenditures				
Other Financing Sources (Uses)				
Transfers In				
Insurance Loss Recoveries				
Transfers Out				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances				
Fund Balances, Beginning				
Fund Balances, Ending	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**COLUMBA 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, 2013**

I. BUDGETARY BASIS OF ACCOUNTING

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.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The 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, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	321	\$ 726,038.17
National School Lunch Program	10.555 (2)	300	2,899,802.76
Summer Food Service Program for Children	10.559	323	45,219.40
Total Child Nutrition Cluster			3,671,060.33
Florida Department of Education:			
Fresh Fruit and Vegetable Program	10.582	330	13,178.97
Florida Department of Financial Services:			
Schools and Roads - Grants to States	10.665	None	111,944.01
Total United States Department of Agriculture			3,796,183.31
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	2,385,107.78
Special Education - Preschool Grants	84.173	266, 267	110,476.86
Total Special Education Cluster			2,495,584.64
School Improvement Grants Cluster:			
Florida Department of Education:			
School Improvement Grants	84.377	126	172,770.66
ARRA - School Improvement Grants, Recovery Act	84.388	126	634,391.38
Total School Improvement Grants Cluster			807,162.04
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 193	139,644.00
Title I Grants to Local Educational Agencies	84.010	212, 226	2,717,850.50
Career and Technical Education - Basic Grants to States	84.048	151, 161	184,951.49
Education for Homeless Children and Youth	84.196	127	40,500.00
Even Start - State Educational Agencies	84.213	219	13,505.28
Twenty-First Century Community Learning Centers	84.287	244	1,025.10
Rural Education	84.358	110	259,983.23
Improving Teacher Quality State Grants	84.367	224	573,481.18
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111, RD211, RG311	498,830.39
Total United States Department of Education			7,732,517.85
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	54,878.17
Total Expenditures of Federal Awards			\$ 11,583,579.33

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 \$277,931.52 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-412-2722
FAX: 850-488-6975

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

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

Report on the Financial Statements

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

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Respectfully submitted,



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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-412-2722
FAX: 850-488-6975

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

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

Report on Compliance for Each Major Federal Program

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

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Basis for Qualified Opinion on the Special Education Cluster

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

Qualified Opinion on the Special Education Cluster

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

Unmodified Opinion on Each of the Other Major Federal Programs

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 2 and 3. Our opinion on each major Federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect

and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 2 and 3 to be significant deficiencies.

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

Purpose of this Report

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

Respectfully submitted,



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

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified for all major programs, except for the Special Education Cluster (CFDA Nos. 84.027 and 84.173), which was qualified.
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster
84.377 and 84.388	School Improvement Grants Cluster
84.395	State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Funds, Recovery Act
Dollar threshold used to distinguish between Type A and Type B programs:	\$347,507
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, 2013**

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, requires the FDOE to determine whether a district school board needs State assistance to resolve or prevent a financial emergency condition.

In September 2012, the former Superintendent notified the Board and the FDOE of a projected General Fund total assigned and unassigned fund balance of \$694,250, or a 1.10 percent financial condition ratio, at June 30, 2013, and submitted a fiscal recovery plan. In the District’s fiscal recovery plan, the District projected an increase of this fund balance by \$1,418,109 to \$2,112,359, or a 3.36 percent financial condition ratio, at June 30, 2013. 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. However, the projected fund balance increase at June 30, 2013, was not fully realized, in part, because the District did not have a Districtwide staffing plan to establish predetermined staffing levels for each of its departments and schools. As a result, during the 2012-13 fiscal year, the District continued to experience a decline in its financial condition as the General Fund total assigned and unassigned fund balance decreased by \$581,089, or 56 percent, from \$1,034,850 to \$453,761. A summary of the General Fund financial condition ratios for the past three fiscal years is shown below:

Fiscal Year Ended June 30	Total Assigned and Unassigned Fund Balance (A)	Total General Fund Revenues (B)	Financial Condition Ratio (A)/(B)
2011	\$ 3,600,315	\$ 66,743,448	5.39%
2012	1,034,850	63,827,191	1.62%
2013	453,761	64,574,237	0.70%

As noted above, the financial condition ratio had declined to 0.7 percent at June 30, 2013. In addition, the fund balance of the General Fund may be further reduced if \$492,252 of Federal questioned costs noted in Federal Awards Finding Nos. 1, 2, and 3 are required to be restored. In these circumstances, the District has significantly less resources available for emergencies and unforeseen situations than other school districts of comparable size. Failure to reverse the decline of the District's financial condition could culminate in an inability on the part of the District to meet current fiscal obligations.

In July 2013, the District implemented a Districtwide staffing plan, which eliminated certain vacated positions and limited staff sizes based on District needs. Also, in October 2013, the Board approved another fiscal recovery plan that was submitted to the FDOE, and anticipated an increase in student enrollment that would result in \$1.06 million in additional State funding. In the new fiscal recovery plan, the District projected a General Fund total assigned and unassigned fund balance of \$2,049,934, or a 3.09 percent financial condition ratio, at June 30, 2014.

A similar finding was noted in our report No. 2013-136.

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: Budget Transparency

It is important that the District provide easy access to its budget and related information as this promotes responsible spending and more citizen involvement, and demonstrates accountability for its resources. Pursuant to Section 1011.035(2), Florida Statutes, the District must prominently post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable and readily accessible to the public.

As of June 11, 2013, the District inadvertently had not posted the proposed, tentative, and official budgets to the District's Web site for the 2012-13 fiscal year, although the Board approved the official budget on September 11, 2012. Subsequent to our inquiry, on June 26, 2013, the District posted the required 2012-13 fiscal year budgets to its Web site. In addition, as of October 2013, the District had posted the required 2013-14 fiscal year budgets to its Web site. Providing for the required budgetary transparency enhances citizen involvement and the ability to analyze, monitor, and evaluate budget outcomes.

Recommendation: The District should enhance its procedures to ensure that proposed, tentative, and official budgets are timely and prominently posted on its Web site.

Finding No. 3: Other Postemployment Benefits

Generally accepted accounting principles (GAAP) require the District to report an other postemployment benefits (OPEB) liability for its coverage of retired employees who continue to receive health benefits offered by the District, and note disclosures to describe the OPEB plan, funding status and progress, and actuarial methods and assumptions. GAAP further require that the District obtain an actuarial valuation of its OPEB plan at least biennially since, at June 30, 2013, its plan had 1,558 plan members, exceeding the minimum 200-member plan requirement for the actuarial study. In addition, according to GAAP, certain Actuarial Standards of Practice (ASOPs) must guide preparation of the actuarial study. For example, Section 3.1.2 of the *Introduction to the Actuarial Standards of Practice*,

March 2013, provides, in part, that actuarial standards should be used by actuaries who have the necessary education and experience to understand and apply them, and other individuals should consider obtaining the advice of a qualified actuary before making use of or otherwise relying upon the ASOPs.

Contrary to GAAP, District personnel indicated that they elected to forego the services of a certified actuary as a cost savings measure and did not obtain the required biennial actuarial valuation, and instead elected to report the liability and related note disclosures from the 2011-12 fiscal year annual financial report. District personnel indicated that the cost of the previous actuarial study was approximately \$11,000. The OPEB expenses and related liability reported were not quantitatively material; however, there is an increased need for the District to obtain the required biennial actuarially-prepared study as the OPEB liability amount increases in future years due to its cumulative nature.

Recommendation: **The District should obtain an actuarial valuation of its OPEB plan biennially in accordance with GAAP.**

Finding No. 4: Facilities Management

The District's facilities management team is responsible for managing outsourced construction and renovation projects and projects performed by the maintenance department. During the 2012-13 fiscal year, the District had \$1.5 million of expenditures for capital projects fund construction and renovation projects and, as shown on the District's Five-Year Facilities Work Plan as approved by the Board on September 24, 2013, the District planned to spend an additional \$3.2 million on construction and renovation projects and \$2.6 million on maintenance over the next five fiscal years. At June 30, 2013, the historical cost of the District's educational and ancillary facilities, including land purchases, was \$155.3 million and, as shown in the FDOE's Florida Inventory of School Houses data, the average ages of District permanent and mobile facilities were 33 and 23 years, respectively.

The maintenance department is also responsible for ensuring facilities are safe and suitable for their intended use. The department performed heating, ventilating, air-conditioning (HVAC), electrical, plumbing, and other maintenance-related jobs. During the 2012-13 fiscal year, the department employed 30 employees, and the department's operating cost was \$1.9 million.

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

- **Alternative Construction Methods or Maintenance Techniques.** The District primarily awards construction contracts to design professionals and construction contractors using traditional competitive bid and construction manager at risk methods. In addition, maintenance-related jobs, such as HVAC replacement and repair, are routinely performed by maintenance department personnel based on safety and suitability priorities. District personnel indicated that they had not established written policies and procedures for evaluating the various construction methods or maintenance-related job techniques and, while they consider alternative methods and techniques, they have not documented evaluations of the various approaches to determine, for each major construction project or significant maintenance-related job, which would be most cost-effective and beneficial. Board-approved policies and procedures, and documented

evaluations, may provide additional assurance that the District uses the most cost-effective and beneficial construction method or maintenance technique.

- **Accountability.** District personnel indicated that the department had established goals, such as the timely completion of construction projects and significant maintenance-related job techniques; however, District records did not evidence written goals to address accountability for the department. For example, the District could set goals such as completing construction projects or maintenance-related jobs that meet or exceed building code industry standards at the lowest possible cost. Progress in attaining the goals could be measured by developing accountability systems to monitor work orders for return assignments or corrective action because an aspect of a project or job did not initially meet building code requirements, and to compare project or job costs to industry standards for similar work.

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

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

Finding No. 5: Information Technology – Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees and contractors access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees and contractors from performing incompatible functions or functions inconsistent with their assigned job responsibilities. Clear division of roles and responsibilities within the established overall IT function and between the IT function and application end users helps preclude the possibility of a single employee or contractor subverting a critical process. For example, the functions of network administration and maintenance, operations, system administration, security administration, and transaction origination or correction are typically separated. Periodic reviews of assigned IT access privileges are necessary to ensure that employees and contractors can only access IT resources that are necessary to perform their assigned job responsibilities and that assigned access privileges enforce an appropriate separation of incompatible responsibilities. Timely deactivation of employee and contractor IT access privileges as a result of termination from employment, transfer, or determination of inappropriateness is necessary to ensure that the access privileges are not misused to compromise data or IT resources.

Our audit tests of selected access privileges to the District's finance and human resources (HR) applications, operating system, and network disclosed some access privileges that were unnecessary or that permitted certain District employees and contractors to perform incompatible duties. Specifically:

- Four HR department employees had the ability to update user access privileges for the finance and HR applications that was unnecessary for their assigned responsibilities. In addition, a former Data Processing employee had the ability to update user identifiers, user application access, and critical transactions within the finance and HR applications. With the ability to change employee profiles, these employees could make changes to user assignments that could result in employees obtaining access to application functions not authorized by management.

- Operating system special authorities had been granted unnecessarily to employees, including computer programmer analysts, school and department employees, two former employees, two employees who transferred from the clerk typist position in the data processing department to a food service position and a school level position; contractors; system accounts; and accounts that were not identified or no longer being used. Such special authority allows, among other things, the ability to view or modify any file waiting to be processed or printed; access, modify, or delete files, programs, and data; maintain user profiles; shut down the system; backup and restore objects; run services tools which may allow the capture of user identifiers and unencrypted passwords in transmission; configure and change Internet services; and control system auditing. Because the confidentiality, integrity, and availability of financial data within the finance and HR applications is dependent on the security of the operating system, assignment of operating system special authority should be restricted to those employees or contractors with specific responsibilities for the operational and administrative functions described above such as system administration, network administration, security administration, and operations.
- One service account and one test account within the network administrators group were no longer used by the District. Administrator access privileges are typically limited to employees who are responsible for performing network administration duties or services that require complete access to network resources. Inactive user accounts may not have appropriate user network authentication controls in effect or be monitored for use, increasing the risk of compromise and unauthorized network hardware, software, or configuration changes.

The District had certain compensating controls in place (e.g., supervisory monitoring of expenditures and employee activities, timely independent bank reconciliations, supervisory review and approval of transactions such as journal entries and electronic funds transfers, and restricted access to unused checks). Also, the Data Processing Manager annually reviewed the access privileges assigned to the profiles created for the finance and HR applications. However, the District had not developed a procedure to periodically review access privileges, including those granted on the operating system and network, to ensure that the access privileges remained appropriate. In addition, at the time of our tests, the District had not developed procedures for timely notifying the Data Processing Manager of terminated and transferred employees and contractors. In response to our inquiry, District management indicated that the District had initiated a procedure for notification by the HR department.

The existence of the inappropriate or unnecessary access privileges described above indicated a need for District periodic review of access privileges and increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resources.

Recommendation: The District should develop procedures for the periodic review of access privileges and removal of unnecessary or inappropriate access privileges detected. Also, the District should continue the implementation of its procedure to timely notify the Data Processing Manager of employee and contractor terminations or transfers.

Finding No. 6: Information Technology - Security Incident Response Plan

Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, and provisions for incident response training, notification to affected parties, and incident analysis and assessment of additional actions needed.

Although the District had a written security incident response plan, the plan did not include detailed response procedures for certain incident scenarios identified in the plan; procedures for logging security violations or incidents; an established process for involving the appropriate local, State, and Federal authorities; and an established process,

pursuant to Section 817.5681, Florida Statutes, of notifying affected parties whose personal information was, or was reasonably believed to have been, acquired by an unauthorized person. Should an event occur that involves the potential or actual compromise, loss, or destruction of District data or IT resources, the lack of an adequate written security response plan may result in the District’s failure to take appropriate and timely actions to prevent further loss or damage to District data and IT resources. Similar findings were noted in our report Nos. 2012-051 and 2013-136.

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

Finding No. 7: Information Technology – Security Controls - User Authentication, Data Loss Prevention, and Logging and Monitoring of System Activity

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District IT security controls related to user authentication, data loss prevention, and logging and monitoring of system activity 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 user authentication, data loss prevention, and logging and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings related to the District’s data loss prevention program were communicated to District management in connection with our report Nos. 2012-051 and 2013-136.

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Special Education Cluster (CFDA Nos. 84.027 and 84.173)
Finding Type: Material Noncompliance and Material Weakness
Questioned Costs: \$365,200

Matching, Level of Effort, Earmarking – Maintenance of Effort. Title 34, Sections 300.203 and 300.204, Code of Federal Regulations, require that the amount of State and local funds expended by the District on special education related services during the audit period be at least equal, in total or average per capita, to that of the prior fiscal year. Allowances for decreases in maintenance of effort may be made for certain reasons such as the departure of special education personnel; a decrease in the enrollment of students with disabilities; and the termination of costly expenditures for long-term purchases, such as the acquisition of equipment and the construction of school facilities.

The District did not have procedures to monitor its compliance with the maintenance of effort requirements during the 2012-13 fiscal year. Using the most favorable calculation measure (average per capita), we determined that the

District’s local fiscal effort for special education services decreased from the 2011-12 fiscal year to the 2012-13 fiscal year, resulting in a maintenance of effort shortfall of \$365,200 as shown below:

Source	Fiscal Years		Difference	Amounts
	2011-12	2012-13		
State and Local Expenditures for Special Education Services	\$ 7,224,539	\$ 6,512,371	\$ (712,168)	\$ (712,168)
Full-Time Equivalent (FTE) Enrollment in Special Education	1,645	1,566	(79)	
Average Expended Per Capita (FTE)	\$ 4,392	\$ 4,159	\$ (233)	
Allowance for Decrease in FTE (79 FTE Decrease times \$4,392 Average Expended per Capita for 2011-12 Fiscal Year)				346,968
Deficiency in Expenditures of State and Local Resources				\$ (365,200)

A contributing factor in the maintenance of effort shortfall is that the District paid a total of \$91,757 for salaries and benefits of four student aides from Special Education Cluster programs for the 2012-13 fiscal year and the aides were paid from the General Fund for the 2011-12 fiscal year. Also, District personnel indicated that General Fund expenditures related to special education had not been reduced in proportion to the decrease in full-time student enrollment for the past several fiscal years. However, after consideration of the FTE decrease allowance of \$346,968, the deficiency in maintenance of effort from State and local funds totaling \$365,200 represents questioned costs subject to disallowance by the grantor. Without procedures to monitor applicable maintenance of effort requirements, the risk increases that State and local funds will not be properly allocated and expended for special education services.

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

Recommendation: The District should establish controls over State and local resources allocated and expended for Special Education Cluster programs to ensure compliance with Federal maintenance of effort requirements. In addition, the District should document to the grantor (FDOE) its compliance with these requirements or restore \$365,200 to the Special Education Cluster programs.

District Contact Person: Bonnie Penner, Director of Finance

Federal Awards Finding No. 2:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: School Improvement Grants (CFDA No. 84.377)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: \$16,793

Allowable Costs/Cost Principles. United States Office of Management and Budget Circular A-87, Attachment A, Section C.1, provides, in part, that costs must be adequately documented to be allowable under Federal awards. Adequate supporting documentation for costs is also necessary for grantees to properly manage and monitor grant operations.

To determine the propriety and allowability of the School Improvement Grants (SIG) program expenditures, we tested 25 expenditures totaling \$430,129 and reviewed supporting documentation. Our tests disclosed expenditures of \$16,883 that were moved from the General Fund to the SIG program in the Special Revenue - Other Fund based on the SIG project budget amount for substitute teachers as this was the unspent amount remaining in the grant at fiscal year-end. However, District personnel did not verify that the expenditures were appropriately supported and we determined that only \$90 of the \$16,883 was used for SIG program substitute teachers to obtain continuing professional development. As a result, \$16,793 of expenditures represents questioned costs subject to disallowance by the grantor.

Recommendation: The District should enhance procedures to ensure that it maintains adequate support for Federal expenditures, and document to the grantor (FDOE) the allowability of the \$16,793 of questioned costs or restore this amount to the SIG program.

District Contact Person: Bonnie Penner, Director of Finance

Federal Awards Finding No. 3:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: \$110,259

Allowable Costs/Costs Principles – Documentation of Time and Effort. United States Office of Management and Budget Circular A-87 provides that charges to Federal awards for salaries and wages be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official of the governmental unit. Where employees are expected to work on multiple cost activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. These reports must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity for which each employee is compensated, and be signed by the employee.

The District reported \$3.6 million of expenditures for the Child Nutrition Cluster (CNC) programs for the 2012-13 fiscal year. The District allocated custodial salaries and benefits totaling \$110,259 to the CNC programs for custodial services in lunchrooms based on the hourly average custodial salary times four, six, or eight hours per day, depending on the number of full-time enrolled students at the school. However, personnel activity reports or equivalent documentation were not prepared to document the amount of time worked by the custodial personnel for the CNC program. Further, our inquiry with food service managers at 12 of 14 schools disclosed that custodial services in the lunchrooms were no more than a few hours per school day.

Absent the required personnel activity reports or equivalent documentation to demonstrate that the work activities of the custodians benefited the CNC programs, the custodial salaries and benefits totaling \$110,259 represent questioned costs subject to disallowance by the grantor.

Recommendation: The District should enhance its procedures to ensure that required documentation is maintained to support salary and benefits charged to Federal programs. In addition, the District should document to the grantor (FDOE) the allowability of the \$110,259 of questioned costs or restore this amount to the CNC programs.

District Contact Person: Bonnie Penner, Director of Finance

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2013-136. The following table provides information on District recurring audit findings:

Current Fiscal Year Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers
1	Audit Report No. 2013-136, Finding No. 1	NA
6	Audit Report No. 2013-136, Finding No. 5	Audit Report No. 2012-051, Finding No. 7
7	Audit Report No. 2013-136, Finding No. 4	Audit Report No. 2012-051, Finding No. 6

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

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2013-136 (1)	State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) - Allowable Costs/Cost	The District did not properly calculate indirect costs of the Race-to-the-Top program, resulting in \$12,534 of questioned costs.	Corrected.	The District restored the questioned costs to the program.

EXHIBIT A
MANAGEMENT'S RESPONSE

COLUMBIA COUNTY SCHOOL DISTRICT

Finance Department
372 WEST DUVAL STREET
LAKE CITY, FLORIDA 32055-3990
(386) 755-8012 FAX (386) 758-4963
website: www.columbia.k12.fl.us

TERRY L. HUDDLESTON
SUPERINTENDENT

ALEX L. CARSWELL, JR
ASSISTANT SUPERINTENDENT
FOR INSTRUCTION

BONNIE E. PENNER
DIRECTOR OF FINANCE



MEMBERS OF THE BOARD

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

January 28, 2014

Mr. David W. Martin
Auditor General
111 West Duval Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

This letter is in response to the preliminary and tentative audit findings and recommendations dated December 2, 2013. The District submits the following responses:

Financial Condition

As soon as it was determined by the incoming Superintendent that the original fiscal recovery plan would not correct the budgetary shortfall and that the District was not improving, but rather continuing to decline, changes were made to cut the budget and to correct funding errors. Although significant, these changes were not enough to bring the District's financial position to the 3 percent minimum. Further cuts were made during the 2013/14 budgetary process that are anticipated to increase the District's fund balance to 3 percent. The District is monitoring the financial position very closely to ensure the results of the 2013/14 fiscal year are as intended.

Budget Transparency

The District now has the appropriate budgetary documents posted on the Web site and will continue to post financial documents as required.

Other Postemployment Benefits

It is the District's desire to report in accordance with GAAP, however, due to the financial difficulties the District is experiencing; consideration of the cost of this study will continue to be a factor in the decision to obtain the actuarial evaluation.

Facilities Management

Procedures have been developed to utilize features in the work order software package that estimate time required to accomplish the requested work. When the work is completed, the efficiency of the employee completing the work will be evaluated. Additionally, procedures have been revised to include documentation of the process of selecting the construction method. These procedures will be submitted to the Board at the next cycle of procedures updates.

Information Technology – Access Privileges

Periodic review of access and privileges has been initiated. During the move to a new Enterprise Resource Planning package, all access will be updated and set at the minimum necessary to accomplish job related tasks.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Page 2

Information Technology – Security Incident Response Plan

A committee is being established to assist in creating an adequate security incident response plan.

Information Technology – Security Controls – User Authentication, Data Loss Prevention, and Logging and Monitoring of System Activity

The implementation of the new ERP and Student software packages along with requirements to use Single Sign On will cause user authentication to be through active directory and use active directory rules that are in place. Once these new rules are implemented, the Security Incident Plan Committee will create policies to address any additional security concerns.

Matching, Level of Effort, Earmarking – Maintenance of Effort

Over the past several years, the District had been shifting funding from the IDEA grant to the General Fund. Expenditures in the General fund had not been reduced consistent with the reduction in FTE that was experienced. The District will consult with FDOE as to how best to resolve the district's correction of the mis-alignment of funding.

Allowable Costs/Cost Principles

Subsequent to the notification of the lack of documentation, the District identified documented expenditures that were allowable under the terms of the grant to replace those that were questioned. The District will provide this information to FDOE to resolve this finding.

Allowable Costs/Costs Principles – Documentation of Time and Effort

The District will consult with FDOE as to the best method to resolve this finding.

We appreciate the professionalism and quality of audit staff that were assigned during the audit and look forward to working with your office again in the future.

Sincerely,



Terry Huddleston