

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended  
June 30, 2014



## BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Linard Johnson	1
Dana Glenn Brady	2
Steve Nelson, Chair to 11-11-13	3
Keith Hudson, Vice Chair to 11-11-13, Chair from 11-12-13	4
Stephanie K. Finnell, Vice Chair from 11-12-13	5

Terry Huddleston, Superintendent

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

The audit team leader was Tiffany R. Wilson and the audit was supervised by Cathy L. Bandy, CPA. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at [dougconner@aud.state.fl.us](mailto:dougconner@aud.state.fl.us) or by telephone at (850) 412-2730.

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COLUMBIA COUNTY DISTRICT SCHOOL BOARD  
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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

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

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

### ADDITIONAL MATTERS

Finding No. 1: The District did not timely perform required background screenings for instructional and noninstructional employees.

Finding No. 2: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

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

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

Finding No. 5: The District's information technology security controls related to 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 Child Nutrition Cluster and Special Education Cluster programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs, except for the Special Education Cluster. Noncompliance and control deficiency findings are summarized below.

Federal Awards Finding No. 2014-001: The District did not have procedures to monitor its compliance with the Special Education Cluster maintenance of effort requirement, resulting in a maintenance of effort shortfall of \$1,026,673.

Federal Awards Finding No. 2014-002: District records did not maintain required documentation to support bus aid salary cost, resulting in \$12,634 of questioned costs for the Special Education – Grants to State program.

### 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. 2014-101.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2014. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

#### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

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

## INDEPENDENT AUDITOR’S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, aggregate discretely presented component units, 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, 2014, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

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

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

### *Auditor’s Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 42 percent of the assets and 99 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represents 100 percent of the transactions and account balances of the discretely presented component units’ 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 the aggregate discretely presented component units, 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 respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Columbia County District School Board as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Supplementary Information*

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

procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
December 8, 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 of the District's financial activities for the fiscal year ended June 30, 2014. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013-14 fiscal year are as follows:

#### Government-wide Financials

- In total, net position increased \$1,973,161.10 from the 2012-13 fiscal year. Net position decreased in the two previous fiscal years by \$2,892,295.59 and 4,738,668.67 for the 2012-13 and 2011-12 fiscal years respectively.
- General revenues total \$81,882,036.49, or 93.6 percent of all revenues. Program specific revenues in the form of charges for services, operating and contributions, and capital grants and contributions total \$5,566,704.64, or 6.4 percent.
- Expenses total \$85,475,580.03, of which \$5,566,704.64 is offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenditures by \$1,973,161.10.

#### Fund Financials

- The total assigned and unassigned portions of the General Fund balance increased by \$2,047,970.84; from \$453,761.23 at June 30, 2013, to \$2,501,732.07 at June 30, 2014. 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, 2014, is 3.6 percent. The ratio was 0.7 percent at June 30, 2013, and 1.6 percent at June 30, 2012.

### 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 including 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 two separate legal entities in this report. The Shining Star Academy of the Arts and Belmont Academy, Inc., are legally separate organizations and component units that are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units 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 functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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

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

**Notes to Financial Statements**

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

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position over time may serve as a useful indicator of a government’s financial health. The following is a summary of the District’s net position as of June 30, 2014, compared to net position as of June 30, 2013:

	<b>Net Position, End of Year</b>	
	Governmental Activities	
	6-30-14	6-30-13
Current and Other Assets	\$ 7,225,701.56	\$ 4,608,478.50
Capital Assets	<u>107,275,375.60</u>	<u>109,994,673.63</u>
<b>Total Assets</b>	<u>114,501,077.16</u>	<u>114,603,152.13</u>
Long-Term Liabilities	32,615,137.57	34,658,885.69
Other Liabilities	<u>1,354,792.36</u>	<u>1,386,280.31</u>
<b>Total Liabilities</b>	<u>33,969,929.93</u>	<u>36,045,166.00</u>
Net Position:		
Net Investment in Capital Assets	82,337,197.04	83,586,807.79
Restricted	2,991,089.11	2,302,743.74
Unrestricted Deficit	<u>(4,797,138.92)</u>	<u>(7,331,565.40)</u>
<b>Total Net Position</b>	<u>\$ 80,531,147.23</u>	<u>\$ 78,557,986.13</u>

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, 2014, and June 30, 2013, are as follows:

	Operating Results for the Fiscal Year Ended	
	Governmental Activities	
	6-30-14	6-30-13
Program Revenues:		
Charges for Services	\$ 1,326,802.07	\$ 1,344,057.96
Operating Grants and Contributions	3,893,590.26	3,796,171.63
Capital Grants and Contributions	346,312.31	265,783.70
General Revenues:		
Property Taxes, Levied for Operational Purposes	14,299,634.29	14,747,101.16
Property Taxes, Levied for Capital Projects	3,765,440.58	3,740,827.46
Grants and Contributions Not Restricted to Specific Programs	62,698,830.71	55,922,750.31
Unrestricted Investment Earnings	9,154.35	11,794.49
Miscellaneous	1,108,976.56	1,606,704.01
<b>Total Revenues</b>	<b>87,448,741.13</b>	<b>81,435,190.72</b>
Functions/Program Expenses:		
Instruction	45,419,880.96	44,334,574.10
Student Personnel Services	4,172,887.13	4,703,270.56
Instructional Media Services	1,036,641.31	959,813.69
Instruction and Curriculum Development Services	1,802,355.56	1,660,002.35
Instructional Staff Training Services	1,281,526.23	1,330,881.04
Instruction Related Technology	615,164.23	966,450.68
School Board	465,259.67	391,680.36
General Administration	1,033,295.47	736,021.87
School Administration	4,373,307.46	4,229,957.11
Facilities Acquisition and Construction	406,470.95	
Fiscal Services	461,323.19	477,049.96
Food Services	4,452,134.74	4,453,627.16
Central Services	999,326.14	803,873.79
Student Transportation Services	4,871,943.29	4,677,000.17
Operation of Plant	6,740,474.48	7,095,855.56
Maintenance of Plant	1,629,862.59	1,926,273.92
Administrative Technology Services	884,994.38	693,083.87
Community Services	376,799.93	330,381.31
Unallocated Interest on Long-Term Debt	1,228,127.24	1,296,072.77
Unallocated Depreciation Expense	3,217,603.11	3,250,288.34
Loss on Disposal of Capital Assets	6,201.97	11,327.70
<b>Total Functions/Program Expenses</b>	<b>85,475,580.03</b>	<b>84,327,486.31</b>
<b>Change in Net Position</b>	<b>1,973,161.10</b>	<b>(2,892,295.59)</b>
<b>Net Position - Beginning</b>	<b>78,557,986.13</b>	<b>81,450,281.72</b>
<b>Net Position - Ending</b>	<b>\$ 80,531,147.23</b>	<b>\$ 78,557,986.13</b>

The largest revenue source is the State of Florida (62.6 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 increased by \$6,013,550.41 or 7.4 percent due to an increase in FEFP funding.

The District has continued to implement fiscal recovery strategies to reduce expenses during the 2013-14 fiscal year, including reduction in staff and other cost containment measures.

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

**Major Governmental Funds**

The General Fund is the District’s chief operating fund. In the previous three fiscal years, the fund balance had decreased significantly from \$4,814,373.78 at June 30, 2011, to \$1,397,129.82 at June 30, 2013, as shown in the table below. Budget reductions were made to bring unassigned and assigned fund balance back to a level that meets statutory guidelines and fiscal well-being with a balance of \$3,663,351.72 at June 30, 2014.

**Operating Results for the Fiscal Year Ended - General Fund**

	6-30-14	6-30-13	6-30-12	6-30-11
Revenues	\$ 70,273,792.16	\$ 64,574,237.39	\$ 63,827,190.63	\$ 66,743,447.78
Expenditures	69,016,116.73	66,650,974.34	67,501,669.79	66,990,601.58
Other Financing Sources	1,008,546.47	1,417,816.71	916,155.44	717,430.73
Net Change in Fund Balance	<u>\$ 2,266,221.90</u>	<u>\$ (658,920.24)</u>	<u>\$ (2,758,323.72)</u>	<u>\$ 470,276.93</u>
Total Fund Balance	<u>\$ 3,663,351.72</u>	<u>\$ 1,397,129.82</u>	<u>\$ 2,056,050.06</u>	<u>\$ 4,814,373.78</u>
Assigned and Unassigned Fund Balance	<u>\$ 2,501,732.07</u>	<u>\$ 453,761.23</u>	<u>\$ 1,034,850.31</u>	<u>\$ 3,600,314.54</u>
Assigned and Unassigned as a percentage of Revenue	<u>3.56%</u>	<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 received under Federal grants, either directly from Federal agencies or passed through the State remained consistent with the prior fiscal year.

The Special Revenue – Food Service Fund has a total fund balance of \$1,138,050.79. It should be noted that of this amount, \$105,500.54 is nonspendable, while the remaining \$1,032,550.25 fund balance is restricted. Fund balance remained consistent with the prior fiscal year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Final budgeted revenues and expenditures were generally consistent with original budgeted amounts. Budget revisions were due primarily to adjustments in planned expenditures for changes in programmatic and operational needs.

**CAPITAL ASSETS AND LONG-TERM DEBT**

**Capital Assets**

The District’s investment in capital assets for its governmental activities as of June 30, 2014, is \$107,275,375.60 (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 2013-14 fiscal year.

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

**Long-Term Debt**

At June 30, 2014, the District has total long-term debt outstanding of \$24,938,178.56, comprised of \$770,000 of bonds payable, \$21,010,000 of certificates of participation, \$266,917.99 of obligations under lease-purchase, and \$2,891,260.57 of notes payable. During the current fiscal year, retirement of debt was \$1,469,687.28.

Additional information on the District's long-term debt can be found in notes II.H. through II.I. 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. 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, Florida 32055.

**BASIC FINANCIAL STATEMENTS**

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET POSITION  
June 30, 2014**

	Primary Government Governmental Activities	Component Units
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 6,183,476.87	\$ 220,975.00
Investments	40,463.59	
Accounts Receivable	58,606.30	
Due from Other Agencies	516,674.57	
Prepaid Items		50,161.00
Deposits		5,045.00
Inventories	426,480.23	
Capital Assets:		
Nondepreciable Capital Assets	3,018,898.86	
Depreciable Capital Assets, Net	104,256,476.74	181,956.00
<b>TOTAL ASSETS</b>	<b>114,501,077.16</b>	<b>458,137.00</b>
<b>LIABILITIES</b>		
Salaries and Benefits Payable	1,107,081.66	
Accounts Payable	241,686.97	77,299.00
Accounts Receivable Purchase Advancement		75,000.00
Due to Other Agencies	6,023.73	
Long-Term Liabilities:		
Portion Due Within One Year	2,421,481.33	29,551.00
Portion Due After One Year	30,193,656.24	8,693.00
<b>TOTAL LIABILITIES</b>	<b>33,969,929.93</b>	<b>190,543.00</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	82,337,197.04	181,956.00
Restricted for:		
Federal Required Carryover Programs	16,000.00	
State Required Carryover Programs	769,379.95	
Debt Service	244,480.29	
Capital Projects	787,939.92	
Food Service	1,138,050.79	
Donor Designations	35,238.16	
Unrestricted	(4,797,138.92)	85,638.00
<b>TOTAL NET POSITION</b>	<b>\$ 80,531,147.23</b>	<b>\$ 267,594.00</b>

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, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 45,419,880.96	\$ 209,064.10	\$	\$
Student Personnel Services	4,172,887.13			
Instructional Media Services	1,036,641.31			
Instruction and Curriculum Development Services	1,802,355.56			
Instructional Staff Training Services	1,281,526.23			
Instruction Related Technology	615,164.23			
School Board	465,259.67			
General Administration	1,033,295.47			
School Administration	4,373,307.46			
Facilities Acquisition and Construction	406,470.95			77,047.12
Fiscal Services	461,323.19			
Food Services	4,452,134.74	609,885.58	3,893,590.26	
Central Services	999,326.14			
Student Transportation Services	4,871,943.29	123,995.19		
Operation of Plant	6,740,474.48			
Maintenance of Plant	1,629,862.59			
Administrative Technology Services	884,994.38	383,857.20		
Community Services	376,799.93			
Unallocated Interest on Long-Term Debt	1,228,127.24			269,265.19
Unallocated Depreciation Expense*	3,217,603.11			
Loss on Disposal of Capital Assets	6,201.97			
<b>Total Primary Government</b>	<b>\$ 85,475,580.03</b>	<b>\$ 1,326,802.07</b>	<b>\$ 3,893,590.26</b>	<b>\$ 346,312.31</b>
<b>Component Units</b>				
Charter Schools	\$ 3,276,230.00	\$ 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

**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>Units</u>
<u>Activities</u>	
\$ (45,210,816.86)	\$
(4,172,887.13)	
(1,036,641.31)	
(1,802,355.56)	
(1,281,526.23)	
(615,164.23)	
(465,259.67)	
(1,033,295.47)	
(4,373,307.46)	
(329,423.83)	
(461,323.19)	
51,341.10	
(999,326.14)	
(4,747,948.10)	
(6,740,474.48)	
(1,629,862.59)	
(501,137.18)	
(376,799.93)	
(958,862.05)	
(3,217,603.11)	
(6,201.97)	
<u>(79,908,875.39)</u>	
	<u>(3,276,230.00)</u>
14,299,634.29	
3,765,440.58	
62,698,830.71	3,527,250.00
9,154.35	
<u>1,108,976.56</u>	
<u>81,882,036.49</u>	<u>3,527,250.00</u>
1,973,161.10	251,020.00
<u>78,557,986.13</u>	<u>16,574.00</u>
<u>\$ 80,531,147.23</u>	<u>\$ 267,594.00</u>

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

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,239,361.19	\$ 885,430.61	\$
Investments	19,148.98	872.87	
Accounts Receivable	57,755.84	738.33	112.13
Due from Other Funds	303,710.65		
Due from Other Agencies		167,600.43	247,547.94
Inventories	321,852.56	104,627.67	
<b>TOTAL ASSETS</b>	<b>\$ 4,941,829.22</b>	<b>\$ 1,159,269.91</b>	<b>\$ 247,660.07</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salaries and Benefits Payable	\$ 1,099,311.62	\$	\$ 7,770.04
Accounts Payable	173,142.15	21,219.12	37,705.58
Due to Other Funds			202,184.45
Due to Other Agencies	6,023.73		
<b>Total Liabilities</b>	<b>1,278,477.50</b>	<b>21,219.12</b>	<b>247,660.07</b>
Fund Balances:			
Nonspendable:			
Inventories	321,852.56	104,627.67	
Fund B Investments	19,148.98	872.87	
Total Nonspendable Fund Balance	<b>341,001.54</b>	<b>105,500.54</b>	
Restricted for:			
Federal Required Carryover Programs	16,000.00		
State Required Carryover Programs	769,379.95		
Debt Service			
Capital Projects			
Donor Designations	35,238.16		
Food Service		1,032,550.25	
Total Restricted Fund Balance	<b>820,618.11</b>	<b>1,032,550.25</b>	
Assigned for:			
Purchases on Order	37,512.96		
Contractual Agreements	409,768.40		
Total Assigned Fund Balance	<b>447,281.36</b>		
Unassigned Fund Balance	<b>2,054,450.71</b>		
<b>Total Fund Balances</b>	<b>3,663,351.72</b>	<b>1,138,050.79</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,941,829.22</b>	<b>\$ 1,159,269.91</b>	<b>\$ 247,660.07</b>

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
\$	\$ 1,021,598.59	\$ 6,146,390.39
	20,441.74	40,463.59
		58,606.30
101,526.20		303,710.65
		516,674.57
		426,480.23
<u>\$ 101,526.20</u>	<u>\$ 1,042,040.33</u>	<u>\$ 7,492,325.73</u>
\$	\$	\$
	9,620.12	1,107,081.66
101,526.20		241,686.97
		303,710.65
		6,023.73
<u>101,526.20</u>	<u>9,620.12</u>	<u>1,658,503.01</u>
		426,480.23
		20,021.85
		<u>446,502.08</u>
		16,000.00
		769,379.95
	244,480.29	244,480.29
	787,939.92	787,939.92
		35,238.16
		1,032,550.25
	<u>1,032,420.21</u>	<u>2,885,588.57</u>
		37,512.96
		409,768.40
		447,281.36
		2,054,450.71
	<u>1,032,420.21</u>	<u>5,833,822.72</u>
<u>\$ 101,526.20</u>	<u>\$ 1,042,040.33</u>	<u>\$ 7,492,325.73</u>

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

**Total Fund Balances - Governmental Funds** \$ 5,833,822.72

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. 107,275,375.60

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 37,086.48

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

Obligation Under Lease-Purchase	\$ 266,917.99	
Notes Payable	2,891,260.57	
Certificates of Participation Payable	21,010,000.00	
Bonds Payable	770,000.00	
Compensated Absences Payable	5,112,073.01	
Other Postemployment Benefits Payable	2,564,886.00	(32,615,137.57)

**Net Position - Governmental Activities** **\$ 80,531,147.23**

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, 2014**

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 61,244.26	\$	\$
Federal Through State and Local State	832,544.31	3,826,146.26	7,048,430.00
	54,148,638.53	67,444.00	
Local:			
Property Taxes	14,299,634.29		
Charges for Services	333,059.29	609,885.58	
Miscellaneous	598,671.48	1,033.63	
Total Local Revenues	<u>15,231,365.06</u>	<u>610,919.21</u>	
<b>Total Revenues</b>	<u>70,273,792.16</u>	<u>4,504,509.47</u>	<u>7,048,430.00</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	42,206,721.36		3,537,449.56
Student Personnel Services	3,578,404.61		625,919.26
Instructional Media Services	1,045,877.83		
Instruction and Curriculum Development Services	476,646.02		1,326,589.61
Instructional Staff Training Services	578,407.44		692,460.36
Instruction Related Technology	505,018.03		
School Board	465,259.67		
General Administration	820,157.83		215,018.76
School Administration	4,379,436.28		34,760.85
Facilities Acquisition and Construction	10,306.27		
Fiscal Services	465,483.05		
Food Services	48,667.90	4,421,821.05	
Central Services	878,048.40		
Student Transportation Services	3,919,825.25		549,397.52
Operation of Plant	6,761,438.85		1,940.39
Maintenance of Plant	1,642,304.92		
Administrative Technology Services	442,030.46		
Community Services	378,885.14		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	105,539.63		
Other Capital Outlay	302,585.87	41,344.31	64,893.69
Debt Service:			
Principal			
Interest and Fiscal Charges	<u>5,071.92</u>		
<b>Total Expenditures</b>	<u>69,016,116.73</u>	<u>4,463,165.36</u>	<u>7,048,430.00</u>
<b>Excess of Revenues Over Expenditures</b>	<u>1,257,675.43</u>	<u>41,344.11</u>	
<b>Other Financing Sources (Uses)</b>			
Transfers In	915,943.15		
Insurance Loss Recoveries	92,603.32		
Transfers Out		<u>(91,382.10)</u>	
<b>Total Other Financing Sources (Uses)</b>	<u>1,008,546.47</u>	<u>(91,382.10)</u>	
<b>Net Change in Fund Balances</b>	2,266,221.90	(50,037.99)	
Fund Balances, Beginning	<u>1,397,129.82</u>	<u>1,188,088.78</u>	
<b>Fund Balances, Ending</b>	<u>\$ 3,663,351.72</u>	<u>\$ 1,138,050.79</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
\$ 384,535.15	\$	\$ 61,244.26
	569,750.77	12,091,655.72
	3,765,440.58	54,785,833.30
	425,725.12	18,065,074.87
	4,191,165.70	942,944.87
		1,025,430.23
		20,033,449.97
<u>384,535.15</u>	<u>4,760,916.47</u>	<u>86,972,183.25</u>
39,304.78		45,783,475.70
835.42		4,205,159.29
15,786.67		1,045,877.83
19,845.61		1,819,022.30
112,608.80		1,290,713.41
		617,626.83
		465,259.67
5,000.00		1,040,176.59
		4,414,197.13
	396,164.68	406,470.95
		465,483.05
		4,470,488.95
127,779.31		1,005,827.71
		4,469,222.77
		6,763,379.24
		1,642,304.92
63,374.56		505,405.02
		378,885.14
	94,600.64	200,140.27
	321,089.00	729,912.87
	1,469,687.28	1,469,687.28
	1,223,055.32	1,228,127.24
<u>384,535.15</u>	<u>3,504,596.92</u>	<u>84,416,844.16</u>
	<u>1,256,319.55</u>	<u>2,555,339.09</u>
		915,943.15
		92,603.32
	<u>(824,561.05)</u>	<u>(915,943.15)</u>
	<u>(824,561.05)</u>	<u>92,603.32</u>
	431,758.50	2,647,942.41
	600,661.71	3,185,880.31
<u>\$ 0.00</u>	<u>\$ 1,032,420.21</u>	<u>\$ 5,833,822.72</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, 2014**

**Net Change in Fund Balances - Governmental Funds** \$ 2,647,942.41

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. (2,713,096.06)

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. (6,201.97)

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	\$	122,412.44	
Notes Payable		367,274.84	
Certificates of Participation Payable		755,000.00	
Bonds Payable		225,000.00	1,469,687.28

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year. 574,060.84

Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenue of the internal service fund is reported with governmental activities. 768.60

**Change in Net Position - Governmental Activities** **\$ 1,973,161.10**

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, 2014**

Governmental  
Activities -  
Internal  
Service  
Fund  

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**ASSETS**

Current Assets:

Cash and Cash Equivalents	<u>\$ 37,086.48</u>
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**NET POSITION**

Unrestricted	<u>\$ 37,086.48</u>
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The accompanying notes to financial statements are an integral part of this statement.

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION -  
PROPRIETARY FUND  
For the Fiscal Year Ended June 30, 2014**

	Governmental Activities - Internal Service Fund
<b>OPERATING REVENUES</b>	
Revenues from Member Districts	\$ 383,857.20
<b>OPERATING EXPENSES</b>	
Salaries	76,868.00
Employee Benefits	16,341.86
Purchased Services	289,690.12
Capital Outlay	285.98
<b>Total Operating Expenses</b>	<b>383,185.96</b>
<b>Operating Income</b>	<b>671.24</b>
<b>NONOPERATING REVENUES</b>	
Interest Income	97.36
<b>Change in Net Position</b>	768.60
Total Net Position - Beginning	36,317.88
<b>Total Net Position - Ending</b>	<b>\$ 37,086.48</b>

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, 2014**

	Governmental Activities - Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Member Districts	\$ 383,857.20
Cash Payments to Suppliers for Goods and Services	(290,393.85)
Cash Payments to Employees for Services	(93,209.86)
	253.49
<b>Net Cash Provided by Operating Activities</b>	253.49
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	97.36
	97.36
<b>Net Cash Provided by Investing Activities</b>	97.36
<b>Net Increase in Cash and Cash Equivalents</b>	350.85
Cash and Cash Equivalents, Beginning	36,735.63
	\$ 37,086.48

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

Operating Income	\$ 671.24
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Payable	(417.75)
	253.49
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 253.49</b>

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, 2014**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	<u>\$ 785,542.04</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 7,387.07
Internal Accounts Payable	<u>778,154.97</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 785,542.04</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, 2014**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. 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 certain legally separate component units 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 Columbia County School District's (District) governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the student transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

**B. Reporting Entity**

The 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 District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of 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 County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in note II.I.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, 2014**

**Discretely Presented Component Units.** The component unit columns in the government-wide financial statements include the financial data of the District's other component units. A separate column is used to emphasize that they are legally separate from the District.

The Shining Star Academy of the Arts and the Belmont Academy, Inc., which began operations during the 2012-13 and 2013-14 fiscal years, respectively, are not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under a charter approved by its sponsor, the Columbia County District School Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charters, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to provide specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools 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 schools' audited financial statements for the fiscal year ended June 30, 2014. The audit reports are 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 internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

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

The fund financial statements provide information about the District's funds, including the fiduciary funds and blended component units. 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 and Federal government 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, 2014**

- 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, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**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,

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including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

The charter schools are accounted for as governmental organizations and follow 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 1.84438408 at June 30, 2014. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at

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the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

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

**3. Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at 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
Property Under Lease-Purchase	50 years
Audio Visual Materials and Computer Software	5 years

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

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**5. Long-Term Liabilities**

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

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

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

**6. Net Position Flow Assumption**

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

**7. Fund Balance Flow Assumption**

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, when reported, 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.

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

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balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

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

**2. State Revenue Sources**

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period 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. SBE rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same educational programs. The Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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

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**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.

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

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the 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 Funds Operating and Nonoperating Revenues and Expenses**

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

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of the Florida IBM AS/400-TERMS system. Operating expenses include salaries and benefits, purchased services, 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.

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

**A. Cash Deposits with Financial Institutions**

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

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, 2014, the District had the following investments and maturities:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	40 Day Average	\$ 154,623.72
Fund B	2.86 Year Average	20,021.85
Debt Service Accounts	6 Months	20,441.74
Total Investments, Primary Government		<u>\$ 195,087.31</u>

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

➤ Interest Rate Risk

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

Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 2014. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2014, is estimated at 2.86 years. However,

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because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

➤ **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District 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 SBE 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.

**C. Changes in Capital Assets**

Changes in capital assets are presented in the table below:

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	Beginning Balance	Additions	Deletions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,924,298.22	\$	\$	\$ 2,924,298.22
Construction in Progress	254,561.87	94,600.64	254,561.87	94,600.64
<b>Total Capital Assets Not Being Depreciated</b>	<b>3,178,860.09</b>	<b>94,600.64</b>	<b>254,561.87</b>	<b>3,018,898.86</b>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,053,802.42	30,945.00		3,084,747.42
Buildings and Fixed Equipment	149,112,043.03	329,156.50		149,441,199.53
Furniture, Fixtures, and Equipment	5,090,705.01	413,696.87	210,949.29	5,293,452.59
Motor Vehicles	7,500,058.04	316,216.00	65,707.00	7,750,567.04
Property Under Lease-Purchase	2,259,698.08			2,259,698.08
Audio Visual Materials and Computer Software	1,652,273.02			1,652,273.02
<b>Total Capital Assets Being Depreciated</b>	<b>168,668,579.60</b>	<b>1,090,014.37</b>	<b>276,656.29</b>	<b>169,481,937.68</b>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,093,309.97	123,123.40		2,216,433.37
Buildings and Fixed Equipment	47,819,605.30	2,560,579.15		50,380,184.45
Furniture, Fixtures, and Equipment	3,766,261.55	407,179.46	206,217.82	3,967,223.19
Motor Vehicles	5,993,880.65	425,546.09	64,236.50	6,355,190.24
Property Under Lease-Purchase	677,909.40	45,193.96		723,103.36
Audio Visual Materials and Computer Software	1,501,799.19	81,527.14		1,583,326.33
<b>Total Accumulated Depreciation</b>	<b>61,852,766.06</b>	<b>3,643,149.20</b>	<b>270,454.32</b>	<b>65,225,460.94</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>106,815,813.54</b>	<b>(2,553,134.83)</b>	<b>6,201.97</b>	<b>104,256,476.74</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 109,994,673.63</b>	<b>\$ (2,458,534.19)</b>	<b>\$ 260,763.84</b>	<b>\$ 107,275,375.60</b>

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

Depreciation expense was charged to functions as follows:

Function	Amount
<b>GOVERNMENTAL ACTIVITIES</b>	
Student Transportation Services	\$ 425,546.09
Unallocated	3,217,603.11
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 3,643,149.20</b>

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**D. Florida Retirement System**

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

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

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

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

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

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

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions including employee contributions for the fiscal year ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$3,267,167.58, \$3,376,046.44, and \$4,472,792.89, respectively, which were equal to the required contributions for each fiscal year.

There were 117 District participants in the Investment Plan during the 2013-14 fiscal year. The District’s contributions including employee contributions to the Investment Plan totaled \$352,014.85, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850)413-5511; or at the Department’s Web site ([www.myfloridacfo.com](http://www.myfloridacfo.com)). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information is available from the Florida Department of Management Services, Division of Retirement, Research and Education Section, by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877)377-1737 or (850)488-5706; by e-mail at [rep@dms.myflorida.com](mailto:rep@dms.myflorida.com); or at the Division’s Web site ([www.frs.myflorida.com](http://www.frs.myflorida.com)).

**E. Other Postemployment Benefit Obligations**

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

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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 2013-14 fiscal year, 53 retirees received other postemployment benefits. The District provided required contributions of \$998,956 toward the annual OPEB cost, net of retiree contributions totaling \$465,557.76, which represents 1.0 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)	\$ 699,578
Amortization of Unfunded Actuarial Accrued Liability	274,017
Interest on Normal Cost and Amortization	<u>12,704</u>
Annual Required Contribution	986,299
Interest on Net OPEB Obligation	75,940
Adjustment to Annual Required Contribution	<u>(63,283)</u>
Annual OPEB Cost (Expense)	998,956
Contribution Toward the OPEB Cost	<u>(998,956)</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>

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The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2014, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	\$ 998,956	33%	\$ 2,564,886
2012-13	993,012	100%	2,564,886
2013-14	998,956	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, 2014, and the District’s 2013-14 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, 2014**

**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 following is a schedule of encumbrances at June 30, 2014:

<b>Major Funds</b>				
General	Special Revenue - Food Service	Special Revenue - Other	Nonmajor Governmental Funds	Total Governmental Funds
<b>\$ 37,512.96</b>	<b>\$ 3,525.37</b>	<b>\$ 17,673.00</b>	<b>\$ 35,582.19</b>	<b>\$ 94,293.52</b>

**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. A supplemental employee group insurance program for life, dental, vision, disability, and accidental death and dismemberment was provided through purchased commercial insurance.

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

**H. Obligation Under Lease-Purchase**

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

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
2015	\$ 145,382.93	\$ 129,634.77	\$ 15,748.16
2016	145,382.93	137,283.22	8,099.71
Total Minimum Lease Payments	<u>\$ 290,765.86</u>	<u>\$ 266,917.99</u>	<u>\$ 23,847.87</u>

The stated interest rate is 5.9 percent.

**I. Long-Term Liabilities**

**1. Notes Payable**

Notes payable at June 30, 2014, are as follows:

	Outstanding	Rates (Percent)	Maturity To
Section 1013.23, Florida Statutes Note LaSalle National Bank	\$ 686,360.57	5.9	2016
Chapter 72-510, Laws of Florida (1972) First Federal Bank of Florida	<u>2,204,900.00</u>	3.2475	2027
Total Notes Payable	<u>\$ 2,891,260.57</u>		

On November 10, 1998, 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.

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

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
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	195,895.91	144,100.00	51,795.91
2020-2024	975,236.93	790,100.00	185,136.93
2025-2028	781,351.58	732,600.00	48,751.58
<b>Total</b>	<b>\$ 3,490,576.52</b>	<b>\$ 2,891,260.57</b>	<b>\$ 599,315.95</b>

**2. Certificates of Participation**

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

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

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:

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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	1,766,715.00	925,000.00	841,715.00
2020-2024	8,845,366.30	5,290,000.00	3,555,366.30
2025-2029	8,841,031.26	6,625,000.00	2,216,031.26
2030-2032	5,389,919.75	4,820,000.00	569,919.75
<b>Total Minimum Lease Payments</b>	<b>\$ 31,921,819.81</b>	<b>\$ 21,010,000.00</b>	<b>\$ 10,911,819.81</b>

**3. Bonds Payable**

Bonds payable at June 30, 2014, 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	\$ 680,000	5.0	2017
Series 2005B, Refunding	90,000	5.0	2018
<b>Total Bonds Payable</b>	<b>\$ 770,000</b>		

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.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
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
<b>Total State School Bonds</b>	<b>\$ 849,000</b>	<b>\$ 770,000</b>	<b>\$ 79,000</b>

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

**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	\$ 389,330.43	\$	\$ 122,412.44	\$ 266,917.99	\$ 129,634.77
Notes Payable	3,258,535.41		367,274.84	2,891,260.57	461,846.56
Certificates of Participation Payable	21,765,000.00		755,000.00	21,010,000.00	785,000.00
Bonds Payable	995,000.00		225,000.00	770,000.00	245,000.00
Compensated Absences Payable	5,686,133.85	484,493.98	1,058,554.82	5,112,073.01	800,000.00
Other Postemployment Benefits Payable	2,564,886.00	998,956.00	998,956.00	2,564,886.00	
Total Governmental Activities	<u>\$ 34,658,885.69</u>	<u>\$ 1,483,449.98</u>	<u>\$ 3,527,198.10</u>	<u>\$ 32,615,137.57</u>	<u>\$ 2,421,481.33</u>

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

**J. Fund Balance Reporting**

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

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

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

**K. 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	\$ 303,710.65	\$
Special Revenue:		
Other		202,184.45
Federal Economic Stimulus		101,526.20
Total	\$ 303,710.65	\$ 303,710.65

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

**L. Revenues and Expenditures/Expenses**

**1. Schedule of State Revenue Sources**

The following is a schedule of the District’s State revenue sources for the 2013-14 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 41,693,531.00
Categorical Educational Program - Class Size Reduction	10,761,443.00
Voluntary Prekindergarten	392,304.41
Motor Vehicle License Tax (Capital Outlay and Debt Service)	351,563.36
Workforce Development Program	265,278.00
School Recognition	138,639.00
Discretionary Lottery Funds	94,406.00
Food Service Supplement	67,444.00
Mobile Home License Tax	34,117.89
Miscellaneous	987,106.64
Total	\$ 54,785,833.30

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, 2014**

**2. Property Taxes**

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

	<u>Millages</u>	<u>Taxes Levied</u>
<b>GENERAL FUND</b>		
Nonvoted School Tax:		
Required Local Effort	4.947	\$ 12,706,782.53
Basic Discretionary Local Effort	0.748	1,921,299.79
<b>CAPITAL PROJECTS FUNDS</b>		
Nonvoted Tax:		
Local Capital Improvements	1.500	3,852,873.01
Total	7.195	\$ 18,480,955.33

**M. Interfund Transfers**

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

Funds	Interfund	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 915,943.15	\$
Special Revenue:		
Food Service		91,382.10
Nonmajor Governmental		824,561.05
Total	\$ 915,943.15	\$ 915,943.15

Interfund transfers were to allocate utility costs to the food service fund and to move restricted capital outlay revenues to offset eligible expenditures for insurance premiums and equipment.

**III. 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.

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

**IV. SUMMARY DISCLOSURE OF SIGNIFICANT 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 years ended June 30, 2013, and June 30, 2014, totaled \$492,252 and \$1,039,307, respectively, for a total of \$1,531,559.

**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, 2014**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 54,800.00	\$ 64,800.00	\$ 61,244.26	\$ (3,555.74)
Federal Through State and Local	588,139.23	829,289.28	832,544.31	3,255.03
State	53,572,055.10	53,981,011.46	54,148,638.53	167,627.07
Local:				
Property Taxes	14,001,947.00	14,576,947.00	14,299,634.29	(277,312.71)
Charges for Services	240,500.00	333,059.29	333,059.29	
Miscellaneous		177,522.56	598,671.48	421,148.92
Total Local Revenues	14,242,447.00	15,087,528.85	15,231,365.06	143,836.21
<b>Total Revenues</b>	<b>68,457,441.33</b>	<b>69,962,629.59</b>	<b>70,273,792.16</b>	<b>311,162.57</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	43,496,667.04	42,690,128.80	42,206,721.36	483,407.44
Student Personnel Services	3,226,678.97	3,597,234.89	3,578,404.61	18,830.28
Instructional Media Services	927,991.92	1,048,753.57	1,045,877.83	2,875.74
Instruction and Curriculum Development Services	342,420.90	480,940.46	476,646.02	4,294.44
Instructional Staff Training Services	321,016.88	581,266.66	578,407.44	2,859.22
Instruction Related Technology	336,132.01	564,568.73	505,018.03	59,550.70
School Board	448,292.85	468,292.85	465,259.67	3,033.18
General Administration	817,578.30	851,207.94	820,157.83	31,050.11
School Administration	4,320,844.02	4,382,251.96	4,379,436.28	2,815.68
Facilities Acquisition and Construction		127,224.49	10,306.27	116,918.22
Fiscal Services	451,180.86	466,180.86	465,483.05	697.81
Food Services		48,996.88	48,667.90	328.98
Central Services	745,373.59	881,123.08	878,048.40	3,074.68
Student Transportation Services	3,726,653.50	3,926,075.28	3,919,825.25	6,250.03
Operation of Plant	6,943,003.86	6,838,720.19	6,761,438.85	77,281.34
Maintenance of Plant	1,683,164.12	1,684,365.27	1,642,304.92	42,060.35
Administrative Technology Services	773,997.33	483,997.33	442,030.46	41,966.87
Community Services	195,588.60	381,284.23	378,885.14	2,399.09
Fixed Capital Outlay:				
Facilities Acquisition and Construction		105,539.63	105,539.63	
Other Capital Outlay		302,585.87	302,585.87	
Debt Service:				
Interest and Fiscal Charges	8,500.00	8,500.00	5,071.92	3,428.08
<b>Total Expenditures</b>	<b>68,765,084.75</b>	<b>69,919,238.97</b>	<b>69,016,116.73</b>	<b>903,122.24</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(307,643.42)</b>	<b>43,390.62</b>	<b>1,257,675.43</b>	<b>1,214,284.81</b>
<b>Other Financing Sources (Uses)</b>				
Transfers In	794,000.00	829,000.00	915,943.15	86,943.15
Insurance Loss Recoveries		92,603.32	92,603.32	
Transfers Out				
<b>Total Other Financing Sources (Uses)</b>	<b>794,000.00</b>	<b>921,603.32</b>	<b>1,008,546.47</b>	<b>86,943.15</b>
<b>Net Change in Fund Balances</b>	<b>486,356.58</b>	<b>964,993.94</b>	<b>2,266,221.90</b>	<b>1,301,227.96</b>
Fund Balances, Beginning	1,397,129.82	1,397,129.82	1,397,129.82	
<b>Fund Balances, Ending</b>	<b>\$ 1,883,486.40</b>	<b>\$ 2,362,123.76</b>	<b>\$ 3,663,351.72</b>	<b>\$ 1,301,227.96</b>

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)
\$ 3,680,750.00	\$ 3,680,750.00	\$ 3,826,146.26	\$ 145,396.26	\$ 7,916,433.39	\$ 7,960,071.95	\$ 7,048,430.00	\$ (911,641.95)
69,125.00	69,125.00	67,444.00	(1,681.00)				
609,885.58	609,885.58	609,885.58					
111,114.42	111,114.42	1,033.63	(110,080.79)				
<u>721,000.00</u>	<u>721,000.00</u>	<u>610,919.21</u>	<u>(110,080.79)</u>				
<u>4,470,875.00</u>	<u>4,470,875.00</u>	<u>4,504,509.47</u>	<u>33,634.47</u>	<u>7,916,433.39</u>	<u>7,960,071.95</u>	<u>7,048,430.00</u>	<u>(911,641.95)</u>
				4,056,898.07	3,754,596.89	3,537,449.56	217,147.33
				1,190,907.70	785,779.15	625,919.26	159,859.89
				2,141.85			
				1,299,951.68	1,398,959.45	1,326,589.61	72,369.84
				1,110,217.05	1,092,669.70	692,460.36	400,209.34
				146,484.20	246,826.95	215,018.76	31,808.19
				19,479.12	46,000.00	34,760.85	11,239.15
4,527,650.00	4,561,305.69	4,421,821.05	139,484.64				
				54.24			
				86,699.07	566,745.71	549,397.52	17,348.19
				3,600.41	3,600.41	1,940.39	1,660.02
	41,344.31	41,344.31			64,893.69	64,893.69	
<u>4,527,650.00</u>	<u>4,602,650.00</u>	<u>4,463,165.36</u>	<u>139,484.64</u>	<u>7,916,433.39</u>	<u>7,960,071.95</u>	<u>7,048,430.00</u>	<u>911,641.95</u>
<u>(56,775.00)</u>	<u>(131,775.00)</u>	<u>41,344.11</u>	<u>173,119.11</u>				
<u>(200,000.00)</u>	<u>(125,000.00)</u>	<u>(91,382.10)</u>	<u>33,617.90</u>				
<u>(200,000.00)</u>	<u>(125,000.00)</u>	<u>(91,382.10)</u>	<u>33,617.90</u>				
<u>(256,775.00)</u>	<u>(256,775.00)</u>	<u>(50,037.99)</u>	<u>206,737.01</u>				
<u>1,149,634.73</u>	<u>1,149,634.73</u>	<u>1,188,088.78</u>	<u>38,454.05</u>				
<u>\$ 892,859.73</u>	<u>\$ 892,859.73</u>	<u>\$ 1,138,050.79</u>	<u>\$ 245,191.06</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, 2014

	Special Revenue - Federal Economic Stimulus Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$	\$	\$	\$
Federal Through State and Local State	374,069.34	384,535.15	384,535.15	
Local:				
Property Taxes				
Charges for Services				
Miscellaneous				
Total Local Revenues				
<b>Total Revenues</b>	<u>374,069.34</u>	<u>384,535.15</u>	<u>384,535.15</u>	
<b>Expenditures</b>				
Current - Education:				
Instruction	174,890.24	39,304.78	39,304.78	
Student Personnel Services		835.42	835.42	
Instructional Media Services				
Instruction and Curriculum Development Services	10,941.13	15,786.67	15,786.67	
Instructional Staff Training Services	75,057.07	19,845.61	19,845.61	
Instruction Related Technology	39,068.00	112,608.80	112,608.80	
School Board				
General Administration	30,864.04	5,000.00	5,000.00	
School Administration				
Facilities Acquisition and Construction				
Fiscal Services				
Food Services				
Central Services		127,779.31	127,779.31	
Student Transportation Services	26,753.32			
Operation of Plant				
Maintenance of Plant				
Administrative Technology Services	16,495.54	63,374.56	63,374.56	
Community Services				
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay				
Debt Service:				
Interest and Fiscal Charges				
<b>Total Expenditures</b>	<u>374,069.34</u>	<u>384,535.15</u>	<u>384,535.15</u>	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>				
<b>Other Financing Sources (Uses)</b>				
Transfers In				
Insurance Loss Recoveries				
Transfers Out				
<b>Total Other Financing Sources (Uses)</b>				
<b>Net Change in Fund Balances</b>				
Fund Balances, Beginning				
<b>Fund Balances, Ending</b>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Actuarial Valuation Date  (1)	Actuarial Value of Assets  (A)	Actuarial Accrued Liability (AAL) (2) (B)	Unfunded AAL (UAAL)  (B-A)	Funded Ratio  (A/B)	Covered Payroll  (C)	UAAL as a Percentage of Covered Payroll  [(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 did not obtain an actuarial valuation to support the other postemployment benefits liability at June 30, 2014.  
 (2) The District's OPEB actuarial valuation at March 1, 2011, used the projected unit credit method to estimate the actuarial accrued liability.

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2014**

**I. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

The 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, 2014**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
<b>United States Department of Agriculture:</b>			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	13002	\$ 749,713.25
National School Lunch Program	10.555 (2)	13001, 13003	2,957,040.98
Summer Food Service Program for Children	10.559	13006, 13007	<u>68,237.88</u>
<b>Total Child Nutrition Cluster</b>			<u>3,774,992.11</u>
Florida Department of Agriculture and Consumer Services:			
Fresh Fruit and Vegetable Program	10.582	13004	31,406.30
Florida Department of Financial Services:			
Schools and Roads - Grants to States	10.665	None	<u>109,335.37</u>
<b>Total United States Department of Agriculture</b>			<u>3,915,733.78</u>
<b>United States Department of Education:</b>			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	3,222,883.72
Special Education - Preschool Grants	84.173	267	<u>171,524.09</u>
<b>Total Special Education Cluster</b>			3,394,407.81
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 193	163,022.00
Title I Grants to Local Educational Agencies	84.010	212, 226	2,599,661.10
Career and Technical Education - Basic Grants to States	84.048	161	158,239.24
Education for Homeless Children and Youth	84.196	127	34,843.30
Even Start - State Educational Agencies	84.213	219	5,339.42
Rural Education	84.358	110	159,412.44
Improving Teacher Quality State Grants	84.367	224	533,504.69
ARRA - School Improvement Grants, Recovery Act	84.388	126	55,926.87
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111, RD211, RG311, RG411	<u>328,608.28</u>
<b>Total United States Department of Education</b>			<u>7,432,965.15</u>
<b>United States Department of Homeland Security:</b>			
Indirect:			
Florida Division of Emergency Management:			
Disaster Grants - Public Assistance	97.036	None	<u>85,414.33</u>
<b>United States Department of Defense:</b>			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	<u>61,244.26</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 11,495,357.52</u>

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

(2) Noncash Assistance - National School Lunch Program. - Includes \$275,207.10 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 aggregate discretely presented component units, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 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 the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine 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 in Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

### Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA  
Tallahassee, Florida  
December 8, 2014



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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, 2014. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

#### *Management's Responsibility*

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

#### *Auditor's Responsibility*

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

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

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

As described in the accompanying **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. 2014-001 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 that program.

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

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion 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 year ended June 30, 2014.

***Unmodified Opinion on the Other Major Federal Cluster***

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 its other major Federal cluster identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** for the fiscal year ended June 30, 2014.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 2014-002. Our opinion on each major Federal program is not modified with respect to this matter.

**Report on Internal Control Over Compliance**

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

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of 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 accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 2014-001 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 2014-002 to be a significant deficiency.

### **Management's Response**

Management's response to the findings identified in our audit is included in Exhibit A. Management'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  
December 8, 2014

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

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	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 No. 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: 10.553, 10.555, and 10.559 84.027 and 84.173	Name of Federal Program or Cluster: Child Nutrition Cluster Special Education Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$344,861
Auditee qualified as low-risk auditee?	No

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

**ADDITIONAL MATTERS**

**Finding No. 1: Background Screenings**

Sections 1012.56(10) and 1012.465(2), Florida Statutes, require that instructional personnel, and noninstructional personnel who are permitted access on school grounds when students are present or have direct contact with students, undergo required background rescreenings every five years following the initial screening upon employment. During the 2013-14 fiscal year, the District had 710 and 585 instructional and noninstructional personnel, respectively.

Board policies provide for background screenings of personnel upon employment. Also, District personnel indicated that, the Management Information System (MIS) Department prints a list of employees who will be required to obtain background rescreenings and the list is provided to the personnel clerk. The personnel clerk electronically transmits the fingerprints, previously obtained upon employment, of the employees identified for rescreening to the Florida Department of Law Enforcement (FDLE), and the FDLE transmits the screening results to the District, which are printed, evaluated, and filed in the employee personnel files.

Our test of background screening records for 25 employees (10 instructional and 15 noninstructional) disclosed that 10 (40 percent) employees (6 instructional and 4 noninstructional) had not been rescreened within five years, contrary to law. Also, for one of the instructional employees who had not been rescreened, District records did not evidence that the employee had ever been screened. District personnel indicated that the lack of the required background screenings occurred mainly because the rescreening dates for several employees were not initially recorded in the MIS. Given the number of employees identified in our test who did not have the required background screenings, the total number of employees who had not obtained required screenings was not readily available.

Subsequent to our inquiry, the District obtained background screenings of the 10 personnel noted in our test and the screenings identified no inappropriate backgrounds. Absent timely background screenings, there is an increased risk that personnel with unsuitable backgrounds may be allowed access to students.

**Recommendation:** The District should enhance its procedures to ensure that required background screenings are timely performed for instructional and noninstructional personnel. The District should also take appropriate action to identify any employees who have not obtained the required background screening, promptly obtain and evaluate background screenings for such employees, and take personnel actions, as necessary, based on evaluations of the screenings.

**Finding No. 2: Purchasing Procedures**

Board-adopted policies prohibit conflicts of interest and the District had certain procedures to reduce the risk of contractual relationships that cause conflicts of interest. For example, District personnel indicated that the Purchasing Department monitors the vendor selection and contracting process and would generally be aware of potential conflicts of interest given the size of the District.

The Superintendent, Board members, Director of Purchasing, and Director of Finance were required to file a statement of financial interests pursuant to Section 112.3145, Florida Statutes, although the Director of Finance inadvertently did not file the required statement. Providing for routine review of statements of financial interests by the Purchasing Department would enhance the District's procurement practices and reduce the risk of questioned procurement transactions or contractual obligations.

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**Recommendation:** The District should strengthen its procedures to ensure that employees file statements of financial interests as required and provide for routine review of the statements by its Purchasing Department for consideration in making procurement decisions.

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**Finding No. 3: Other Postemployment Benefits**

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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, 2014, its plan had 1,000 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 3.1.5 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. Instead, the District elected to report the liability of approximately \$2.6 million and related note disclosures in the 2013-14 fiscal year annual financial report 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, and the estimated change in the liability and related expense, were not quantitatively material; however, as the OPEB liability amount continues to accumulate and other changes in the plan occur, it becomes increasingly important for the District to comply with GAAP and obtain the required biennial actuarially-prepared study. A similar finding was noted in our report No. 2014-101.

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

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**Finding No. 4: Adult General Education Classes**

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

FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures

also provided that school districts develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance.

For the 2013-14 fiscal year, the District reported to the FDOE 55,674 instructional contact hours for 406 students enrolled in 35 adult general education classes. Our review of 1,070 hours reported for 10 students enrolled in 3 adult general education classes disclosed 121 net hours over-reported for 6 students enrolled in 3 classes. District personnel indicated these errors occurred mainly because of mistakes in attendance records and recording withdrawal dates contrary to FDOE guidelines. Given the number of errors, the full extent of the class hours misreported was not readily available.

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

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

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**Finding No. 5: Information Technology – Security Controls - Data Loss Prevention and Logging and Monitoring of System Activity**

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Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit disclosed that certain District IT security controls related to 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 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 were communicated to District management in connection with our report Nos. 2013-136 and 2014-101.

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

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**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

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**Federal Awards Finding No. 2014-001:**  
**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: \$1,026,673**

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**Matching, Level of Effort, Earmarking – Maintenance of Effort.** Title 34, Sections 300.203 and 300.204, Code of Federal Regulations, provides that the amount of State and local funds expended by the District on special education related services during the audit period must 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 requirement during the 2013-14 fiscal year. Since the District did not meet the maintenance of effort requirement for the 2012-13 fiscal year, the level of effort required for the 2013-14 fiscal year, pursuant to guidance by the United States Department of Education, was the level of effort that was required for the 2011-12 fiscal year (i.e., the last fiscal year in which the District complied with the maintenance of effort requirement). Using the most favorable calculation measure (State and local expenditures), we determined that the District’s local fiscal effort for special education services decreased from the 2011-12 fiscal year to the 2013-14 fiscal year, resulting in a maintenance of effort shortfall of \$1,026,673 as shown in the table below:

Source	Fiscal Years		Difference	Amounts
	2011-12	2013-14		
State and Local Expenditures for Special Education Services	\$ 7,224,539	\$ 6,197,866	\$ (1,026,673)	\$ (1,026,673)
Full-Time Equivalent (FTE) Enrollment in Special Education	1,645	1,675	30	
Average Expended Per Capita (FTE)	\$ 4,392	\$ 3,700	\$ (692)	
Deficiency in Expenditures of State and Local Resources				\$ (1,026,673)

District records did not evidence that the District met a qualified exemption from the maintenance of effort requirements. Without a documented qualified exemption, the deficiency in maintenance of effort from State and local funds totaling \$1,026,673 represents questioned costs subject to disallowance by the grantor. Absent 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 (modifications) 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 modification to that effect. A similar finding was noted in our report No. 2014-101.

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**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 requirement. The District should also document to the grantor (FDOE) its compliance with this requirement or restore \$1,026,673 to the Special Education Cluster programs.**

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District Contact Person: Bonnie Penner, Director of Finance

**Federal Awards Finding No. 2014-002:****Federal Agency: United States Department of Education****Pass-Through Entity: Florida Department of Education****Program: Special Education – Grants to States (CFDA No. 84.027)****Finding Type: Noncompliance and Significant Deficiency****Questioned Costs: \$12,634**

**Allowable Costs/Cost Principles - Documentation of Time and Effort.** United States Office of Management and Budget (OMB) Circular A-87 provides, for charges to Federal awards for salaries and wages, that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. District procedures generally provide that the required semiannual certifications be prepared for January and May.

Our review of Special Education - Grants to States program journal entries for the 2013-14 fiscal year disclosed that the District charged the program with salaries totaling \$321,521 for bus aides to supervise students with disabilities. However, the bus aides did not prepare certifications to evidence that they worked solely on that program, contrary to OMB Circular A-87. The District recorded the bus aide salaries in the General Fund from August 2013 to April 2014 and, in May 2014, District personnel prepared a journal entry to transfer these salaries to the Special Revenue Fund - Other for the program. While the District prepared semiannual certifications for other program employees, certifications were inadvertently not prepared for the bus aides.

Based on discussions with the transportation director, we determined that most bus aide salaries were appropriately charged to the program; however, we identified two bus aides who did not provide program services (i.e., did not supervise students with disabilities on buses) and they received program salaries totaling \$12,634. District personnel indicated that the error occurred because all bus aide salaries were charged to the program, although the two aides did not provide these services. As a result, these expenditures totaling \$12,634 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 charges to Federal programs. The District should also document the allowability of questioned costs totaling \$12,634 for the Special Education - Grants to States program to the grantor (FDOE) or restore this amount to the program.**

District Contact Person: Bonnie Penner, Director of Finance

**PRIOR AUDIT FOLLOW-UP**

The District had taken corrective actions for findings included in our report No. 2014-101 except as shown in the following table.

Current Fiscal Year Finding Numbers	2012-13 Fiscal Year Audit Report and Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers
3	Audit Report No. 2014-101, Finding No. 3	NA
5	Audit Report No. 2014-101, Finding No. 7	Audit Report No. 2013-136, Finding No. 4
Federal Awards Finding No. 2014-001	Audit Report No. 2014-101, Federal Awards Finding No. 1	NA

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

**MANAGEMENT’S RESPONSE**

Management’s response is included as Exhibit A.

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

*COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2014*

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

Audit Report No. and Federal Awards Finding No.	Program/ Area	Brief Description	Status	Comments
2014-101 (1)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Matching, Level of Effort, Earmarking - Maintenance of Effort	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 and questioned costs of \$365,200.	Not corrected.	Questioned costs have not been resolved.
2014-101 (2)	School Improvement Grants (CFDA No. 84.377) - Allowable Costs/Costs Principles	District records did not evidence the allowability of certain Federal expenditures, resulting in \$16,793 of questioned costs for the School Improvement Grants program.	Partially corrected.	Questioned costs have not been resolved.
2014-101 (3)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) - Allowable Costs/Costs Principles	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.	Partially corrected.	Questioned costs have not been resolved.

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  
DANNY GREEN  
DANA GLENN BRADY  
STEVE NELSON

December 5, 2014

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

Dear Mr. Martin:

This letter is in response to the preliminary and tentative audit findings and recommendations dated November 13, 2014. The District submits the following responses:

***Background Screening***

For original hire screenings, no one is placed on the agenda for board approval until fingerprint screenings have taken place. For the five year resubmission, Management Information Systems pulls a list of fingerprint renewals needed based on "expiration" dates. The system was updated to ensure expiration dates existed for all employees. Staff electronically resubmits those fingerprints in batches, usually 3 to 6 months at a time. Staff reviewed the current employee list to see that screenings were done and resubmitted as needed when the auditor first brought this to the District's attention.

***Purchasing Procedures***

The District will continue to strive to adhere to all requirements and revised interpretations of financial disclosures laws.

***Other Postemployment Benefits***

The District will again review the cost of the actuary study in time to prepare the Annual Financial Report for the 2014/15 fiscal year.

***Adult General Education Classes***

The Columbia County School District changed the student database for the present school year to "FOCUS". The Adult General Education teachers during the second semester of this school year will begin to use the new FOCUS database to keep attendance for all Adult Education students after adequate training. This will allow for "real-time" attendance reporting by the teachers and allow staff to evaluate attendance patterns without delay. Students who miss 6 consecutive classes will be withdrawn from the program, will forfeit their tuition fees, and will not be allowed to re-enroll in the Adult Education Program until the subsequent semester.

The Columbia County School District will contact the appropriate authority at the Florida Department of Education to determine the extent of hours misreported and determine the proper resolution.

***Information Technology – Security Controls***

As we transition to two new software packages we plan to determine the best methods to log and monitor activity within the system.

*Accredited System Wide by Southern Association of Colleges and Schools  
An Equal Opportunity Employer  
Using Affirmative Action Guidelines*

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

Page 2

***Matching, Level of Effort, Earmarking – Maintenance of Effort***

The District continues to work with FDOE regarding this finding. The 2011/12 year was the year the District overspent revenues in the general fund by \$3,674,479.16. Student population was decreasing and expenditures were not being reduced accordingly. Furthermore, personnel for the IDEA program were not being charged to the grant as should have been. The District contends that basing the Maintenance of Effort on this year is holding the District to a financial precedent that is unreasonable.

***Allowable Costs/Cost Principles***

This error has been corrected and the questioned costs will be repaid to the grant.

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