

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended  
June 30, 2010



## BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2009-10 fiscal year are listed below:

	<u>District No.</u>
Linard Johnson, Vice Chair from 11-17-09	1
Charles H. Maxwell	2
Steve Nelson	3
William Keith Hudson, Vice Chair to 11-16-09, Chair from 11-17-09	4
Glenn J. Hunter, Chair to 11-16-09	5

Michael F. Millikin, Superintendent

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

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

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**COLUMBIA COUNTY DISTRICT SCHOOL BOARD  
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## EXECUTIVE SUMMARY

### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

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

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

#### ADDITIONAL MATTERS

**Finding No. 1:** District records did not sufficiently evidence that the performance assessments of instructional personnel and school administrators were based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes.

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

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

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

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

### Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Part A Cluster; Special Education Cluster; State Fiscal Stabilization Fund Cluster; and ARRA Child Nutrition programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

### 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:

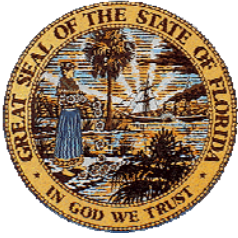
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a 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. 2010-142.

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, 2010. 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 ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Columbia County District School Board, as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 15 percent of the assets and 95 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Columbia County Public Schools Foundation, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Columbia County District School Board as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 8) and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 44 through 48) be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Respectfully submitted,



David W. Martin, CPA  
February 21, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Columbia County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2010. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 9 through 42.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2009-10 fiscal year are as follows:

- In total, net assets increased \$128,983.30, or less than one percent from the 2008-09 fiscal year.
- General revenues total \$86,331,039.88, or 92.7 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$6,840,656.29, or 7.3 percent of all revenues.
- Expenses total \$93,042,712.87. Only \$6,840,656.29 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$128,983.30.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$2,488,582.22 at June 30, 2010, or 3.6 percent of total General Fund revenues.

### OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

#### Government-wide Financial Statements

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

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

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

principles. Financial information for this component unit is reported separately from the financial information presented for the primary government.

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

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

### **Fund Financial Statements**

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

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

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

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

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

**Proprietary Funds:** Proprietary funds, such as internal service funds, may be established to account for activities in which a fee is charged for services. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses the internal service funds to account for the Florida IBM AS/400 – TERMS Users' Group Consortium. Since these services

predominantly benefit governmental rather than business-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

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

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

**Notes to Financial Statements**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 2010, compared to net assets as of June 30, 2009:

	<b>Net Assets, End of Year</b>	
	Governmental	
	Activities	
	6-30-10	6-30-09
Current and Other Assets	\$ 12,271,133	\$ 15,994,972
Capital Assets	113,600,372	112,976,119
<b>Total Assets</b>	<b>125,871,505</b>	<b>128,971,091</b>
Long-Term Liabilities	36,801,822	37,640,927
Other Liabilities	2,076,505	4,465,969
<b>Total Liabilities</b>	<b>38,878,327</b>	<b>42,106,896</b>
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	83,284,134	81,407,277
Restricted	6,855,188	7,143,279
Unrestricted Deficit	(3,146,144)	(1,686,361)
<b>Total Net Assets</b>	<b>\$ 86,993,178</b>	<b>\$ 86,864,195</b>

The largest portion of the District’s net assets (95.7 percent) reflects its investment in capital assets (e.g., land; buildings and fixed equipment; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

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

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2010, and June 30, 2009, are as follows:

	<b>Operating Results for the Year</b>	
	Governmental Activities	
	6-30-10	6-30-09
<b>Program Revenues:</b>		
Charges for Services	\$ 1,146,205	\$ 1,218,777
Operating Grants and Contributions	3,654,934	5,654,381
Capital Grants and Contributions	2,039,517	4,138,415
<b>General Revenues:</b>		
Property Taxes, Levied for Operational Purposes	17,515,831	15,971,508
Property Taxes, Levied for Capital Projects	4,141,897	4,681,834
Grants and Contributions Not Restricted to Specific Programs	63,324,106	60,021,176
Unrestricted Investment Earnings	129,514	31,233
Miscellaneous	1,219,692	2,069,995
<b>Total Revenues</b>	<b>93,171,696</b>	<b>93,787,319</b>
<b>Functions/Program Expenses:</b>		
Instruction	50,005,665	48,958,489
Pupil Personnel Services	5,578,693	5,245,916
Instructional Media Services	1,249,182	1,297,827
Instruction and Curriculum Development Services	1,545,415	1,477,419
Instructional Staff Training Services	1,526,041	1,496,282
Instruction Related Technology	713,882	930,658
School Board	282,001	393,178
General Administration	945,673	787,893
School Administration	4,093,145	3,901,778
Facilities Acquisition and Construction	530,710	1,234,412
Fiscal Services	424,112	391,432
Food Services	4,530,279	4,162,469
Central Services	849,123	920,666
Pupil Transportation Services	5,274,551	5,422,754
Operation of Plant	7,182,604	6,797,483
Maintenance of Plant	2,068,310	1,867,587
Administrative Technology Services	926,863	825,919
Community Services	368,114	341,275
Interest on Long-Term Debt	1,524,306	1,561,556
Unallocated Depreciation Expense	3,409,163	2,632,449
Loss on Disposal of Capital Assets	14,881	38,480
<b>Total Functions/Program Expenses</b>	<b>93,042,713</b>	<b>90,685,922</b>
<b>Increase in Net Assets</b>	<b>\$ 128,983</b>	<b>\$ 3,101,397</b>

The largest revenue source is the State of Florida (54.7 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.

Instruction expenses represent approximately 54 percent of total governmental expenses for both the 2009-10 and 2008-09 fiscal years. Even though the overall expenses for instruction are comparable to the prior year when compared to total governmental expenses, instruction expenses increased \$1,047,176 or approximately 2.1 percent from the prior fiscal year’s expenses, due in part to the decision to pay \$250 bonuses and restructure step increases for teachers.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

### Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$2,488,582, while the total fund balance is \$4,344,097. The unreserved fund balance increased by \$101,207, while the total fund balance decreased by \$360,948 during the fiscal year. Key factors in these changes are as follows:

- An increase in the local property tax rate coupled with increased property values increased tax revenues by \$1,544,323.
- A decrease in State revenues of \$3,600,548, or 6.9 percent, due to an overall reduction in State revenues caused by the continuing effects of a deep recession, was offset by State Fiscal Stabilization Funds received through the Special Revenue – ARRA Economic Stimulus Funds of \$3,362,085. Between the local tax revenue increase and the stimulus funding stream, the reduced State funding was offset.
- Total expenditures decreased by \$2,754,050, or 3.8 percent. Due to the reduction in State revenues and the limited Federal funding stream from the ARRA Economic Stimulus funds, the District continues to very closely monitor expenditures to prepare for the end of that funding stream known as “the funding cliff.”

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

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$2,711,293, which is restricted for the acquisition, construction, maintenance of capital assets, purchase of school buses, and the payment of debt service obligations. It should be noted that \$382,418 of fund balance has been encumbered for specific projects. Fund balance decreased by \$667,261 primarily because of a decrease in the capital outlay tax levy millage from 1.75 to 1.50 mills, and an increase in construction projects expenditures.

### GENERAL FUND BUDGETARY HIGHLIGHTS

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

### CAPITAL ASSETS AND LONG-TERM DEBT

#### Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$113,600,372 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under lease-purchase; construction in progress; and audio visual materials and computer software.

Major capital asset events during the current fiscal year include the following financed by various sources:

- Completion of Columbia High School Classroom Renovations
- Completion of Fort White Elementary School Eight Classroom Addition
- Completion of waterline connecting Columbia City Elementary School with a public water supply
- Fort White Middle School 7<sup>th</sup> and 8<sup>th</sup> Grade Wings in progress
- Niblack Elementary Administration Building in progress

**Long-Term Debt**

At June 30, 2010, the District had total long-term debt outstanding of \$30,316,238. This amount was comprised of \$23,860,000 in certificates of participation payable; \$3,895,000 in bonds payable; \$1,844,091 for notes payable; and \$717,147 for obligation under lease-purchase.

**OTHER MATTERS OF SIGNIFICANCE**

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

**REQUESTS FOR INFORMATION**

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

**BASIC FINANCIAL STATEMENTS**

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS  
June 30, 2010**

	Primary Government Governmental Activities	Component Unit
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 9,905,650.90	\$ 94,200.00
Investments	322,697.37	6,767.00
Accounts Receivable	415,860.93	
Due from Fiscal Agent	117,872.02	
Due from Other Agencies	996,647.53	40.00
Inventories	512,404.25	
Capital Assets:		
Nondepreciable Capital Assets	4,958,556.10	
Depreciable Capital Assets, Net	108,641,816.15	
<b>TOTAL ASSETS</b>	<b>\$ 125,871,505.25</b>	<b>\$ 101,007.00</b>
<b>LIABILITIES</b>		
Salaries and Benefits Payable	\$ 72,773.01	\$
Payroll Deductions and Withholdings	865,618.44	
Accounts Payable	496,612.69	
Construction Contracts Payable	381,457.33	
Construction Contracts Payable - Retainage	115,842.54	
Due to Other Agencies	7,152.25	
Estimated Insurance Claims Payable	137,048.89	
Long-Term Liabilities:		
Portion Due Within One Year	2,113,111.72	
Portion Due After One Year	34,688,709.88	
<b>Total Liabilities</b>	<b>38,878,326.75</b>	
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	83,284,134.08	
Restricted for:		
State Required Carryover Programs	503,227.21	
Debt Service	242,763.39	
Capital Projects	3,937,787.19	
Food Service	1,237,542.28	
Other Purposes	933,868.14	70,341.00
Unrestricted	(3,146,143.79)	30,666.00
<b>Total Net Assets</b>	<b>86,993,178.50</b>	<b>101,007.00</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 125,871,505.25</b>	<b>\$ 101,007.00</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, 2010**

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	\$ 50,005,664.68	\$ 56,212.43	\$	\$
Pupil Personnel Services	5,578,693.00			
Instructional Media Services	1,249,181.89			
Instruction and Curriculum Development Services	1,545,414.89			
Instructional Staff Training Services	1,526,041.33			
Instruction Related Technology	713,882.24			
School Board	282,001.43			
General Administration	945,673.20			
School Administration	4,093,145.47			
Facilities Acquisition and Construction	530,709.94			1,774,739.57
Fiscal Services	424,111.97			
Food Services	4,530,279.37	1,021,035.10	3,654,933.82	
Central Services	849,123.08			
Pupil Transportation Services	5,274,550.59	68,957.44		
Operation of Plant	7,182,603.89			
Maintenance of Plant	2,068,309.55			
Administrative Technology Services	926,862.96			
Community Services	368,113.72			
Unallocated Interest on Long-Term Debt	1,524,306.18			264,777.93
Unallocated Depreciation/Amortization Expense*	3,409,163.01			
Loss on Disposal of Capital Assets	14,880.48			
<b>Total Primary Government</b>	<b>93,042,712.87</b>	<b>1,146,204.97</b>	<b>3,654,933.82</b>	<b>2,039,517.50</b>
<b>Component Unit</b>				
Columbia County Public Schools Foundation, Inc.	\$ 45,841.00	\$	\$	\$
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				
<b>Total General Revenues</b>				
<b>Change in Net Assets</b>				
Net Assets - Beginning				
<b>Net Assets - Ending</b>				

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

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

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Unit</u>
<u>Activities</u>	
\$ (49,949,452.25)	\$
(5,578,693.00)	
(1,249,181.89)	
(1,545,414.89)	
(1,526,041.33)	
(713,882.24)	
(282,001.43)	
(945,673.20)	
(4,093,145.47)	
1,244,029.63	
(424,111.97)	
145,689.55	
(849,123.08)	
(5,205,593.15)	
(7,182,603.89)	
(2,068,309.55)	
(926,862.96)	
(368,113.72)	
(1,259,528.25)	
(3,409,163.01)	
(14,880.48)	
<u>(86,202,056.58)</u>	
	<u>(45,841.00)</u>
17,515,830.68	
4,141,896.94	
63,324,106.07	46,087.00
129,514.21	
1,219,691.98	
<u>86,331,039.88</u>	<u>46,087.00</u>
128,983.30	246.00
<u>86,864,195.20</u>	<u>100,761.00</u>
<u>\$ 86,993,178.50</u>	<u>\$ 101,007.00</u>

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2010**

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,709,542.56	\$	\$
Investments	74,484.46		
Accounts Receivable	415,860.93		
Due from Fiscal Agent	117,872.02		
Due from Other Funds	889,539.72	15.00	10,977.12
Due from Other Agencies		476,892.93	477,183.65
Inventories	377,389.25		
	<u>377,389.25</u>	<u>476,892.93</u>	<u>477,183.65</u>
<b>TOTAL ASSETS</b>	<u>\$ 5,584,688.94</u>	<u>\$ 476,907.93</u>	<u>\$ 488,160.77</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salaries and Benefits Payable	\$ 55,240.27	\$ 12,830.54	\$ 4,702.20
Payroll Deductions and Withholdings	865,618.44		
Accounts Payable	176,086.72	45,249.64	1,200.00
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Due to Other Funds	15.00	418,258.27	482,258.57
Due to Other Agencies	6,582.77	569.48	
Estimated Insurance Claims Payable	137,048.89		
	<u>1,240,592.09</u>	<u>476,907.93</u>	<u>488,160.77</u>
<b>Total Liabilities</b>	<u>1,240,592.09</u>	<u>476,907.93</u>	<u>488,160.77</u>
Fund Balances:			
Reserved for State Required Carryover Programs	503,227.21		
Reserved for Encumbrances	41,030.03		
Reserved for Inventories	377,389.25		
Reserved for Other Purposes	933,868.14		
Reserved for Debt Service			
Unreserved:			
Undesignated, Reported in:			
General Fund	2,488,582.22		
Debt Service Funds			
Special Revenue Funds			
Capital Projects Funds			
	<u>2,488,582.22</u>		
<b>Total Fund Balances</b>	<u>4,344,096.85</u>		
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 5,584,688.94</u>	<u>\$ 476,907.93</u>	<u>\$ 488,160.77</u>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 3,450,541.40	\$ 2,656,658.44 248,212.91	\$ 9,816,742.40 322,697.37 415,860.93 117,872.02 900,531.84 996,647.53 512,404.25
<u>\$ 3,450,541.40</u>	<u>\$ 3,082,457.30</u>	<u>\$ 13,082,756.34</u>

\$	\$	\$ 72,773.01 865,618.44 496,612.69 381,457.33 115,842.54 900,531.84 7,152.25 137,048.89
241,948.60 381,457.33 115,842.54	32,127.73	
<u>739,248.47</u>	<u>32,127.73</u>	<u>2,977,036.99</u>

382,418.18	256,493.83 135,015.00 242,763.39	503,227.21 679,942.04 512,404.25 933,868.14 242,763.39
2,328,874.75	343,529.64 1,097,765.20 974,762.51	2,488,582.22 343,529.64 1,097,765.20 3,303,637.26
<u>2,711,292.93</u>	<u>3,050,329.57</u>	<u>10,105,719.35</u>
<u>\$ 3,450,541.40</u>	<u>\$ 3,082,457.30</u>	<u>\$ 13,082,756.34</u>

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010**

**Total Fund Balances - Governmental Funds** \$ 10,105,719.35

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 113,600,372.25

Internal service funds are used by management to charge the costs of certain activities, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. This is the amount of internal service fund net assets, less capital assets net of depreciation. 88,908.50

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

Obligation Under Capital Lease	\$ 717,146.68	
Bonds Payable	3,895,000.00	
Notes Payable	1,844,091.49	
Certificates of Participation Payable	23,860,000.00	
Other Postemployment Benefits Payable	1,307,716.00	
Compensated Absences Payable	5,177,867.43	
	(36,801,821.60)	

**Total Net Assets - Governmental Activities** \$ 86,993,178.50

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, 2010**

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 592,721.30	\$	\$
Federal Through State and Local State	1,094,338.33	7,055,746.77	5,690,360.14
State	48,416,682.62		
Local:			
Property Taxes	17,515,830.68		
Charges for Services	125,169.87		
Miscellaneous	1,308,334.66		
<b>Total Revenues</b>	<b>69,053,077.46</b>	<b>7,055,746.77</b>	<b>5,690,360.14</b>
<b>Expenditures</b>			
Current - Education:			
Instruction	43,256,111.25	3,975,584.09	2,500,327.54
Pupil Personnel Services	2,824,686.04	1,079,312.75	1,656,708.07
Instructional Media Services	1,139,639.34	13,200.53	88,782.44
Instruction and Curriculum Development Services	715,460.08	820,479.99	4,897.12
Instructional Staff Training Services	529,585.44	827,861.42	165,265.86
Instruction Related Technology	619,662.47	1,792.00	89,134.82
School Board	280,360.27		
General Administration	671,435.45	168,182.55	101,717.67
School Administration	4,063,085.26	179.00	
Facilities Acquisition and Construction	44,018.75		
Fiscal Services	421,236.01		
Food Services	27,919.87		33,412.19
Central Services	843,662.97	53.55	
Pupil Transportation Services	4,330,779.96	78,687.20	264,473.73
Operation of Plant	6,925,840.09	11,592.51	225,000.00
Maintenance of Plant	2,056,904.08		
Administrative Technology Services	369,641.11		150,414.50
Community Services	365,952.61		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	203,004.09		119,241.00
Other Capital Outlay	79,707.63	79,083.10	290,985.20
Debt Service:			
Principal			
Interest and Fiscal Charges			
<b>Total Expenditures</b>	<b>69,768,692.77</b>	<b>7,056,008.69</b>	<b>5,690,360.14</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(715,615.31)</b>	<b>(261.92)</b>	
<b>Other Financing Sources (Uses)</b>			
Transfers In	306,000.00		
Insurance Loss Recoveries	48,667.47		
Transfers Out			
<b>Total Other Financing Sources (Uses)</b>	<b>354,667.47</b>		
<b>Net Change in Fund Balances</b>	<b>(360,947.84)</b>	<b>(261.92)</b>	
Fund Balances, Beginning	4,705,044.69	261.92	
<b>Fund Balances, Ending</b>	<b>\$ 4,344,096.85</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	3,425,324.82	592,721.30
	2,331,420.73	17,265,770.06
4,141,896.94		50,748,103.35
	1,021,035.10	21,657,727.62
<u>14,951.88</u>	<u>(22,976.57)</u>	<u>1,146,204.97</u>
<u>4,156,848.82</u>	<u>6,754,804.08</u>	<u>1,300,309.97</u>
		49,732,022.88
		5,560,706.86
		1,241,622.31
		1,540,837.19
		1,522,712.72
		710,589.29
		280,360.27
		941,335.67
		4,063,264.26
411,522.80	75,168.39	530,709.94
		421,236.01
	4,468,685.43	4,530,017.49
		843,716.52
		4,673,940.89
		7,162,432.60
		2,056,904.08
		520,055.61
		365,952.61
1,234,095.04	2,035,080.24	3,591,420.37
564,872.00	20,279.36	1,034,927.29
992,603.13	260,000.00	1,252,603.13
<u>1,315,016.69</u>	<u>209,289.49</u>	<u>1,524,306.18</u>
<u>4,518,109.66</u>	<u>7,068,502.91</u>	<u>94,101,674.17</u>
<u>(361,260.84)</u>	<u>(313,698.83)</u>	<u>(1,390,836.90)</u>
		306,000.00
		48,667.47
<u>(306,000.00)</u>		<u>(306,000.00)</u>
<u>(306,000.00)</u>		<u>48,667.47</u>
(667,260.84)	(313,698.83)	(1,342,169.43)
<u>3,378,553.77</u>	<u>3,364,028.40</u>	<u>11,447,888.78</u>
<u>\$ 2,711,292.93</u>	<u>\$ 3,050,329.57</u>	<u>\$ 10,105,719.35</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, 2010**

**Net Change in Fund Balances - Governmental Funds** \$ (1,342,169.43)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period. 639,134.08

The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (14,880.48)

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

Capital Lease Payable	97,328.88	
Notes Payable	250,274.25	
Bonds Payable	260,000.00	
Certificates of Participation Payable	645,000.00	1,252,603.13

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 paid in excess of the amount earned in the current period. 218,540.51

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the otherpostemployment benefits liability for the current fiscal year. (632,038.00)

Internal service funds are used by management to charge the cost of certain activities to individual funds. The net revenue of internal service funds (net of depreciation expense) is reported with governmental activities. 7,793.49

**Change in Net Assets - Governmental Activities** **\$ 128,983.30**

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

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF NET ASSETS -  
PROPRIETARY FUNDS  
June 30, 2010**

		Governmental Activities - Internal Service Fund
<hr/>		
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$	88,908.50
Noncurrent Assets:		
Furniture, Fixtures, and Equipment, Net		359.00
		<hr/>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>89,267.50</b>
		<hr/> <hr/>
<b>NET ASSETS</b>		
Invested in Capital Assets	\$	359.00
Unrestricted		88,908.50
		<hr/>
<b>Total Net Assets</b>	<b>\$</b>	<b>89,267.50</b>
		<hr/> <hr/>

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

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2010**

		Governmental Activities - Internal Service Fund
<b>OPERATING REVENUES</b>		
Revenues from Member Districts	\$	411,962.68
<b>OPERATING EXPENSES</b>		
Salaries		75,611.00
Employee Benefits		17,866.29
Purchased Services		310,620.65
Capital Outlay		300.00
Depreciation		359.00
<b>Total Operating Expenses</b>		<b>404,756.94</b>
<b>Operating Income</b>		<b>7,205.74</b>
<b>NONOPERATING REVENUES</b>		
Interest Revenue		228.75
<b>Change in Net Assets</b>		<b>7,434.49</b>
Total Net Assets - Beginning		81,833.01
<b>Total Net Assets - Ending</b>	<b>\$</b>	<b>89,267.50</b>

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

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2010**

		Governmental Activities - Internal Service Funds
		Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Member Districts	\$	411,962.68
Cash Payments to Suppliers for Goods and Services		(310,920.65)
Cash Payments to Employees for Services		(93,477.29)
		7,564.74
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income		228.75
		7,793.49
<b>Net Increase in Cash and Cash Equivalents</b>		<b>7,793.49</b>
Cash and Cash Equivalents, Beginning		81,115.01
		88,908.50
<b>Cash and Cash Equivalents, Ending</b>	<b>\$</b>	<b>88,908.50</b>

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

Operating Income	\$	7,205.74
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		359.00
		7,564.74
<b>Net Cash Provided by Operating Activities</b>	<b>\$</b>	<b>7,564.74</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, 2010**

	Agency Funds
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 577,826.78
<b>LIABILITIES</b>	
Accounts Payable	\$ 4,929.12
Internal Accounts Payable	572,897.66
<b>TOTAL LIABILITIES</b>	<b>\$ 577,826.78</b>

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

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Columbia County School District (District) is considered part of the Florida system of public education. The governing body of the school district is the Columbia County District School Board (Board), which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Columbia County.

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

- **Blended Component Unit.** 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 7. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- **Discretely Presented Component Unit.** The component unit columns in the government-wide financial statements include the financial data of the District's other component unit.

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

The financial data reported on the accompanying statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2010. The audit reports are filed in the District's administrative offices.

➤ **Basis of Presentation**

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

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

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

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

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

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation, and remodeling projects.

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

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

➤ **Basis of Accounting**

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

Government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary fund and fiduciary funds financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants,

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

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

Proprietary funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989, and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service fund are revenues from member districts. Operating expenses include personnel costs and purchased information technology services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

➤ **Deposits and Investments**

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

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

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

The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010, 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.

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The District’s investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.67353149 at June 30, 2010. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at last invoice, which approximates the first-in, first-out basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used purchased during the year, and are adjusted at year-end to reflect year-end physical inventories.

➤ **Capital Assets**

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

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

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

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

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

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

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

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

➤ **District Property Taxes**

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

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

The Board adopted the 2009 tax levy on September 8, 2009. 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

**COLUMBIA COUNTY  
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JUNE 30, 2010**

procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

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

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

➤ **Federal Revenue Sources**

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

**2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

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

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

**3. INVESTMENTS**

As of June 30, 2010, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	46 Day Average	\$ 8,948.19
Fund B Surplus Funds Trust Fund (Fund B)	8.05 Year Average	275,141.48
Debt Service Accounts	6 Months	47,555.89
Total Investments, Primary Government		<u>\$ 331,645.56</u>

Note (1): Investment considered a cash equivalents for financial statement reporting purposes.

**COLUMBIA COUNTY  
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Interest Rate Risk

- 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 46 days at June 30, 2010. 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. Fund B had a weighted average life (WAL) of 8.05 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2010. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District does not have a formal investment policy that further limits its investment choices.
- The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.
- As of June 30, 2010, the District's investment in Florida PRIME is rated AAAm by Standard & Poor's. Fund B is unrated.

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,837,679.72	\$	\$	\$ 2,837,679.72
Construction in Progress	1,867,281.67	2,823,746.14	2,570,151.43	2,120,876.38
<b>Total Capital Assets Not Being Depreciated</b>	<b>4,704,961.39</b>	<b>2,823,746.14</b>	<b>2,570,151.43</b>	<b>4,958,556.10</b>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	2,281,549.19	765,619.23		3,047,168.42
Buildings and Fixed Equipment	139,623,850.93	2,572,206.43		142,196,057.36
Furniture, Fixtures, and Equipment	6,860,192.28	435,330.57	1,085,384.05	6,210,138.80
Motor Vehicles	7,301,564.94	580,439.00	118,424.00	7,763,579.94
Property Under Lease-Purchase	2,259,698.08			2,259,698.08
Audio Visual Materials and Computer Software	1,331,308.85	19,157.72		1,350,466.57
<b>Total Capital Assets Being Depreciated</b>	<b>159,658,164.27</b>	<b>4,372,752.95</b>	<b>1,203,808.05</b>	<b>162,827,109.17</b>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,573,596.68	86,154.42		1,659,751.10
Buildings and Fixed Equipment	37,449,760.44	2,802,555.70		40,252,316.14
Furniture, Fixtures, and Equipment	5,785,438.76	339,584.06	1,070,503.57	5,054,519.25
Motor Vehicles	4,970,564.17	578,050.57	118,424.00	5,430,190.74
Property Under Lease-Purchase	497,133.56	45,193.96		542,327.52
Audio Visual Materials and Computer Software	1,110,513.40	135,674.87		1,246,188.27
<b>Total Accumulated Depreciation</b>	<b>51,387,007.01</b>	<b>3,987,213.58</b>	<b>1,188,927.57</b>	<b>54,185,293.02</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>108,271,157.26</b>	<b>385,539.37</b>	<b>14,880.48</b>	<b>108,641,816.15</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 112,976,118.65</b>	<b>\$ 3,209,285.51</b>	<b>\$ 2,585,031.91</b>	<b>\$ 113,600,372.25</b>

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

**COLUMBIA COUNTY  
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Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 578,050.57
Unallocated	3,409,163.01
	3,987,213.58
Total Depreciation Expense - Governmental Activities	\$ 3,987,213.58

**5. OBLIGATION UNDER LEASE-PURCHASE**

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
2011	\$ 145,382.93	\$ 103,071.28	\$ 42,311.65
2012	145,382.94	109,152.49	36,230.45
2013	145,382.93	115,592.48	29,790.45
2014	145,382.94	122,412.44	22,970.50
2015	145,382.93	129,634.77	15,748.16
2016	145,382.93	137,283.22	8,099.71
	\$ 872,297.60	\$ 717,146.68	\$ 155,150.92
Total Minimum Lease Payments	\$ 872,297.60	\$ 717,146.68	\$ 155,150.92

The stated interest rate is 5.9 percent.

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**6. NOTE PAYABLE**

Note payable is comprised of the following:

LaSalle National Bank	Balance at 6-30-10
\$4,750,394.02, Borrowed 11-10-1998, Under Provisions of Section 1013.23, Florida Statutes. Interest Rate of 5.9 Percent. Proceeds Used to Finance Renovations, Water Conservation Measures, and Refuse Reduction measures, and to Refinance Phase I of the Energy Savings contract. Repayment is to be Made Over a 17-Year Period Ending in 2016.	\$ 1,844,091.49

Amounts payable for the planned extended repayment of the Section 1013.23, Florida Statutes, bank loans are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2011	\$ 373,841.84	\$ 265,040.44	\$ 108,801.40
2012	373,841.83	280,677.82	93,164.01
2013	373,841.84	297,237.82	76,604.02
2014	373,841.83	314,774.84	59,066.99
2015	373,841.84	333,346.56	40,495.28
2016	373,841.84	353,014.01	20,827.83
Total	\$ 2,243,051.02	\$ 1,844,091.49	\$ 398,959.53

**7. CERTIFICATES OF PARTICIPATION**

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

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

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
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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 4.0 to 5.0 percent. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,767,087.50	\$ 670,000.00	\$ 1,097,087.50
2012	1,770,287.50	700,000.00	1,070,287.50
2013	1,767,287.50	725,000.00	1,042,287.50
2014	1,768,287.50	755,000.00	1,013,287.50
2015	1,767,332.50	785,000.00	982,332.50
2016-2020	8,844,416.26	4,455,000.00	4,389,416.26
2021-2025	8,847,126.30	5,530,000.00	3,317,126.30
2026-2030	8,844,025.00	6,950,000.00	1,894,025.00
2031-2032	3,618,919.75	3,290,000.00	328,919.75
<b>Total Minimum Lease Payments</b>	<b><u>\$ 38,994,769.81</u></b>	<b><u>\$ 23,860,000.00</u></b>	<b><u>\$ 15,134,769.81</u></b>

**8. BONDS PAYABLE**

Bonds payable at June 30, 2010, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2005A	\$ 1,430,000	5.0	2017
Series 2005B, Refunding	170,000	5.0	2018
District Revenue Bonds:			
Series 1998, Refunding	<u>2,295,000</u>	4.65 - 5.2	2027
<b>Total Bonds Payable</b>	<b><u>\$ 3,895,000</u></b>		

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

➤ **State School Bonds**

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

**COLUMBIA COUNTY  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

➤ **District Revenue Bonds**

These bonds are authorized by Chapter 72-510, Special Acts of 1972, , which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Columbia County from the State’s Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes). The District issued the bonds in 1998 in the amount of \$3 million to provide for the refunding of the Series 1973 Certificate of Indebtedness and financing for the construction of an elementary school and various other capital improvements within the District. The District has pledged, as sole security for the bonds, the entire annual distribution of pari-mutuel tax proceeds of \$223,250, which is remitted by the Florida Department of Financial Services to the District. The pledged revenue is committed until final maturity of the debt, or December 1, 2027. Approximately 89 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds. The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2011	\$ 275,000.00	\$ 195,000.00	\$ 80,000.00
2012	270,250.00	200,000.00	70,250.00
2013	270,250.00	210,000.00	60,250.00
2014	274,750.00	225,000.00	49,750.00
2015	283,500.00	245,000.00	38,500.00
2016-2018	<u>565,500.00</u>	<u>525,000.00</u>	<u>40,500.00</u>
Total State School Bonds	<u>1,939,250.00</u>	<u>1,600,000.00</u>	<u>339,250.00</u>
District Revenue Bonds:			
2011	195,207.50	80,000.00	115,207.50
2012	196,328.75	85,000.00	111,328.75
2013	197,127.50	90,000.00	107,127.50
2014	197,593.75	95,000.00	102,593.75
2015	197,692.50	100,000.00	97,692.50
2016-2020	979,918.75	575,000.00	404,918.75
2021-2025	968,610.00	730,000.00	238,610.00
2026-2028	<u>583,160.00</u>	<u>540,000.00</u>	<u>43,160.00</u>
Total District Revenue Bonds	<u>3,515,638.75</u>	<u>2,295,000.00</u>	<u>1,220,638.75</u>
Total	<u>\$ 5,454,888.75</u>	<u>\$ 3,895,000.00</u>	<u>\$ 1,559,888.75</u>

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**9. CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities:

Description	Balance 7/1/2009	Additions	Deductions	Balance 6-30-10	Due in One Year
GOVERNMENTAL ACTIVITIES					
Obligations Under Lease - Purchase	\$ 814,475.56	\$	\$ 97,328.88	\$ 717,146.68	\$ 103,071.28
Note Payable	2,094,365.74		250,274.25	1,844,091.49	265,040.44
Bonds Payable	4,155,000.00		260,000.00	3,895,000.00	275,000.00
Certificates of Participation Payable	24,505,000.00		645,000.00	23,860,000.00	670,000.00
Compensated Absences Payable	5,396,407.94	594,672.18	813,212.69	5,177,867.43	800,000.00
Other Postemployment Benefits Payable	675,678.00	1,108,149.00	476,111.00	1,307,716.00	
Total Governmental Activities	<u>\$ 37,640,927.24</u>	<u>\$ 1,702,821.18</u>	<u>\$ 2,541,926.82</u>	<u>\$ 36,801,821.60</u>	<u>\$ 2,113,111.72</u>

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

**10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 889,539.72	\$ 15.00
Special Revenue:		
ARRA Economic Stimulus	10,977.12	482,258.57
Other	15.00	418,258.27
Total	<u>\$ 900,531.84</u>	<u>\$ 900,531.84</u>

These interfund amounts are primarily the result of temporary loans to cover cash deficits in pooled accounts until reimbursement from outside sources is obtained.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 306,000.00	\$
Capital Projects:		
Local Capital Improvement		306,000.00
Total	<u>\$ 306,000.00</u>	<u>\$ 306,000.00</u>

A transfer was made from the Capital Projects – Local Capital Improvement Fund to the General Fund for reimbursement of risk management insurance.

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**11. RESERVE FOR 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 Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2010-11 fiscal year budget as a result of purchase orders outstanding at June 30, 2010.

Because revenues of grants accounted for in the Special Revenue – Other and the Special Revenue – ARRA Economic Stimulus Funds are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other and the Special Revenue – ARRA Economic Stimulus Funds total \$42,014.22 and \$6,417.88, respectively, at June 30, 2010.

**12. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District’s State revenue for the 2009-10 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 36,817,761.00
Categorical Educational Program - Class Size Reduction	10,401,980.00
Gross Receipts Tax (Public Education Capital Outlay)	1,678,077.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	361,286.23
School Recognition	348,267.00
Workforce Development Program	296,529.00
Food Service Supplement	73,069.00
Mobile Home License Tax	37,877.09
Discretionary Lottery Funds	26,355.00
Miscellaneous	<u>706,902.03</u>
 Total	 <u><u>\$ 50,748,103.35</u></u>

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

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**13. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2009 tax roll for the 2009-10 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.363	\$ 15,032,294.82
Basic Discretionary Local Effort	0.498	1,395,875.88
Supplemental Discretionary Local Effort	0.250	700,740.90
Critical Needs	0.250	700,740.90
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	4,204,446.18
Total	7.861	\$ 22,034,098.68

**14. FLORIDA RETIREMENT SYSTEM**

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

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

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

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

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

**FRS Retirement Contribution Rates**

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2009-10 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of PEORP.

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$4,766,981.56, \$4,755,753.17, and \$4,696,670.07, respectively, which were equal to the required contributions for each fiscal year. There were 147 PEORP participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled \$377,723.76.

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

**15. OTHER POSTEMPLOYMENT BENEFITS**

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

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Medicare program for their primary coverage as soon as they are eligible. The Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

**Funding Policy.** Contribution requirements of the District and plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 91 retirees received postemployment benefits. The District provided required contributions of \$476,111 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions of approximately \$590,000, or 1.1 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 Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 731,026
Amortization of Unfunded Actuarial Accrued Liability	358,442
Interest on Normal Cost and Amortization	<u>14,217</u>
Annual Required Contribution	1,103,685
Interest on Net OPEB Obligation	26,987
Adjustment to Annual Required Contribution	<u>(22,523)</u>
Annual OPEB Cost (Expense)	1,108,149
Contribution Toward the OPEB Cost	<u>(476,111)</u>
Increase in Net OPEB Obligation	632,038
Net OPEB Obligation, Beginning of Year	<u>675,678</u>
Net OPEB Obligation, End of Year	<u><u>\$ 1,307,716</u></u>

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2010, was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7/1/08	\$		\$
2008-09	1,061,236	36%	675,678
2009-10	1,108,149	43%	1,307,716

**Funded Status and Funding Progress.** As of March 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$10,339,679, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$10,339,679 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$50,759,127, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 20.4 percent.

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

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include 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 initial OPEB actuarial valuation as of March 1, 2009, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of March 1, 2009, and to estimate the District’s 2009-10 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 6.4 percent initially for the 2009 calendar year, reduced by various percentages each year, to an ultimate rate of 4.9 percent after 75 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010, was 28 years.

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**16. CONSTRUCTION CONTRACT COMMITMENTS**

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

Project	Contract Amount	Completed to Date	Balance Committed
Fort White Middle School 7th and 8th Grade Wings			
Architect	\$ 149,960.00	\$ 131,664.88	\$ 18,295.12
Contractor	1,877,164.10	1,106,050.04	771,114.06
Niblack Elementary Administration Building			
Architect	41,689.13	33,351.31	8,337.82
Contractor	659,757.00	52,375.00	607,382.00
Total	<u>\$ 2,728,570.23</u>	<u>\$ 1,323,441.23</u>	<u>\$ 1,405,129.00</u>

**17. CONSORTIUM**

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

**18. RISK MANAGEMENT PROGRAMS**

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

Health and hospitalization coverage is being provided through purchased commercial insurance with minimum deductibles for each line of coverage. The District also participates in a supplemental employee group insurance program administered through the Consortium for life, dental, vision, disability, and accidental death and dismemberment. Premiums charged for these supplemental programs are based on each individual district's claims experience, and the program operates as an individually-funded plan by each participating district with shared administrative costs and a pooling of plan assets for working capital.

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

The claims liability of \$137,048.89 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2010. The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insurance program:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2008-09	\$ 72,340.06	\$ 948,208.28	\$ (948,208.28)	\$ 72,340.06
2009-10	72,340.06	1,048,413.84	(983,705.01)	137,048.89

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

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**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -  
GENERAL AND MAJOR SPECIAL REVENUE FUNDS  
For the Fiscal Year Ended June 30, 2010**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 753,843.90	\$ 592,721.30	\$ 592,721.30	\$
Federal Through State and Local	610,000.00	1,094,338.33	1,094,338.33	
State	50,054,594.90	48,416,682.62	48,416,682.62	
Local:				
Property Taxes	16,920,661.00	17,515,830.68	17,515,830.68	
Charges for Services			125,169.87	125,169.87
Miscellaneous	793,543.15	1,433,504.53	1,308,334.66	(125,169.87)
<b>Total Revenues</b>	<b>69,132,642.95</b>	<b>69,053,077.46</b>	<b>69,053,077.46</b>	
<b>Expenditures</b>				
Current - Education:				
Instruction	42,806,399.19	43,256,111.25	43,256,111.25	
Pupil Personnel Services	2,859,754.59	2,824,686.04	2,824,686.04	
Instructional Media Services	1,059,369.46	1,139,639.34	1,139,639.34	
Instruction and Curriculum Development Services	748,295.98	715,460.08	715,460.08	
Instructional Staff Training Services	325,790.27	529,585.44	529,585.44	
Instruction Related Technology	525,693.38	619,662.47	619,662.47	
School Board	1,687,759.35	280,360.27	280,360.27	
General Administration	584,931.18	671,435.45	671,435.45	
School Administration	3,869,429.79	4,063,085.26	4,063,085.26	
Facilities Acquisition and Construction	160,000.00	44,018.75	44,018.75	
Fiscal Services	410,166.14	421,236.01	421,236.01	
Food Services		27,919.87	27,919.87	
Central Services	867,376.58	843,662.97	843,662.97	
Pupil Transportation Services	3,589,189.66	4,330,779.96	4,330,779.96	
Operation of Plant	5,862,942.35	6,925,840.09	6,925,840.09	
Maintenance of Plant	1,847,752.72	2,056,904.08	2,056,904.08	
Administrative Technology Services	317,497.35	369,641.11	369,641.11	
Community Services	349,137.17	365,952.61	365,952.61	
Fixed Capital Outlay:				
Facilities Acquisition and Construction		203,004.09	203,004.09	
Other Capital Outlay		79,707.63	79,707.63	
<b>Total Expenditures</b>	<b>67,871,485.16</b>	<b>69,768,692.77</b>	<b>69,768,692.77</b>	
Excess (Deficiency) of Revenues Over Expenditures	1,261,157.79	(715,615.31)	(715,615.31)	
<b>Other Financing Sources</b>				
Transfers In	306,000.00	306,000.00	306,000.00	
Insurance Loss Recoveries	20,000.00	48,667.47	48,667.47	
<b>Total Other Financing Sources</b>	<b>326,000.00</b>	<b>354,667.47</b>	<b>354,667.47</b>	
<b>Net Change in Fund Balances</b>	<b>1,587,157.79</b>	<b>(360,947.84)</b>	<b>(360,947.84)</b>	
Fund Balances, Beginning	4,823,836.08	4,705,044.69	4,705,044.69	
<b>Fund Balances, Ending</b>	<b>\$ 6,410,993.87</b>	<b>\$ 4,344,096.85</b>	<b>\$ 4,344,096.85</b>	<b>\$ 0.00</b>

Special Revenue - Other			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 627,284.80	\$ 7,055,746.77	\$ 7,055,746.77	\$
<u>627,284.80</u>	<u>7,055,746.77</u>	<u>7,055,746.77</u>	
436,480.90	3,975,584.09	3,975,584.09	
60,434.87	1,079,312.75	1,079,312.75	
3.86	13,200.53	13,200.53	
12,796.00	820,479.99	820,479.99	
101,217.75	827,861.42	827,861.42	
	1,792.00	1,792.00	
8,994.37	168,182.55	168,182.55	
	179.00	179.00	
	53.55	53.55	
7,357.05	78,687.20	78,687.20	
	11,592.51	11,592.51	
	<u>79,083.10</u>	<u>79,083.10</u>	
<u>627,284.80</u>	<u>7,056,008.69</u>	<u>7,056,008.69</u>	
	<u>(261.92)</u>	<u>(261.92)</u>	
	<u>(261.92)</u>	<u>(261.92)</u>	
<u>261.92</u>	<u>261.92</u>	<u>261.92</u>	
<u>\$ 261.92</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, 2010**

	Special Revenue - ARRA 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	5,304,419.00	5,690,360.14	5,690,360.14	
Local:				
Property Taxes				
Charges for Services				
Miscellaneous				
<b>Total Revenues</b>	<u>5,304,419.00</u>	<u>5,690,360.14</u>	<u>5,690,360.14</u>	
<b>Expenditures</b>				
Current - Education:				
Instruction	2,710,145.20	2,500,327.54	2,500,327.54	
Pupil Personnel Services	673,513.00	1,656,708.07	1,656,708.07	
Instructional Media Services	135,000.00	88,782.44	88,782.44	
Instruction and Curriculum Development Services	37,013.00	4,897.12	4,897.12	
Instructional Staff Training Services	569,432.80	165,265.86	165,265.86	
Instruction Related Technology	307,216.00	89,134.82	89,134.82	
School Board				
General Administration	84,928.69	101,717.67	101,717.67	
School Administration				
Facilities Acquisition and Construction	119,241.00			
Fiscal Services				
Food Services	141,320.00	33,412.19	33,412.19	
Central Services				
Pupil Transportation Services	113,750.00	264,473.73	264,473.73	
Operation of Plant	225,000.00	225,000.00	225,000.00	
Maintenance of Plant				
Administrative Technology Services	187,859.31	150,414.50	150,414.50	
Community Services				
Fixed Capital Outlay:				
Facilities Acquisition and Construction		119,241.00	119,241.00	
Other Capital Outlay		290,985.20	290,985.20	
<b>Total Expenditures</b>	<u>5,304,419.00</u>	<u>5,690,360.14</u>	<u>5,690,360.14</u>	
Excess (Deficiency) of Revenues Over Expenditures				
<b>Other Financing Sources</b>				
Transfers In				
Insurance Loss Recoveries				
<b>Total Other Financing Sources</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	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
March 1, 2009	\$	\$ 10,339,679	\$ 10,339,679	0.0%	\$ 50,759,127	20.4%

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2010**

**1. BUDGETARY BASIS OF ACCOUNTING**

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2010**

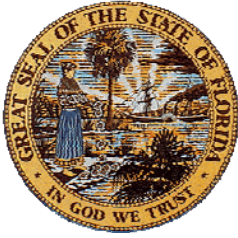
Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
<b>United States Department of Agriculture:</b>				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 678,182.46	\$
National School Lunch Program	10.555	300, 350	2,452,885.46	
Summer Food Service Program for Children	10.559	323	14,076.90	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)(A)	None	251,038.00	
<b>Total Child Nutrition Cluster</b>			<b>3,396,182.82</b>	
Florida Department of Financial Services:				
Secure Payments for States and Counties Containing Federal Lands	10.665	None	172,266.43	
Florida Department of Education:				
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	156,540.00	
<b>Total United States Department of Agriculture</b>			<b>3,724,989.25</b>	
<b>United States Department of Labor:</b>				
Indirect:				
Florida Department of Education:				
Incentive Grants - WIA Section 503	17.267	None	12,753.64	
<b>United States Department of Education:</b>				
Direct:				
Improving Literacy Through School Libraries	84.364	N/A	4,350.52	
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	177,142.94	
Fund for the Improvement of Education	84.215	N/A	371,407.70	
<b>Total Direct</b>			<b>552,901.16</b>	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	2,294,374.98	39,232.67
Special Education - Preschool Grants	84.173	267	77,443.93	
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	1,190,425.78	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	17,100.00	
Putnam County District School Board:				
Special Education - Grants to States	84.027	None	88,871.52	
<b>Total Special Education Cluster</b>			<b>3,668,216.21</b>	<b>39,232.67</b>
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	2,873,327.81	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 222, 226	914,001.97	
<b>Total Title I, Part A Cluster</b>			<b>3,787,329.78</b>	
Education for Homeless Children and Youth Cluster:				
Florida Department of Education:				
Education for Homeless Children and Youth	84.196	127	37,241.79	
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	8,373.75	
<b>Total Education for Homeless Children and Youth Cluster</b>			<b>45,615.54</b>	
Educational Technology State Grants Cluster:				
Florida Department of Education:				
Education Technology State Grants	84.318	121	31,526.41	
ARRA - Education Technology State Grants, Recovery Act	84.386	121	41,833.42	
<b>Total Educational Technology State Grants Cluster</b>			<b>73,359.83</b>	
State Fiscal Stabilization Fund Cluster:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	3,103,971.00	
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	258,114.22	
<b>Total State Stabilization Fund Cluster</b>			<b>3,362,085.22</b>	

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
For the Fiscal Year Ended June 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
<b>United States Department of Education (Continued):</b>				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	136,582.59	
Career and Technical Education - Basic Grants to States	84.048	151, 161	242,881.79	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	23,761.13	
Even Start - State Educational Agencies	84.213	219	205,111.00	
Twenty-First Century Community Learning Centers	84.287	244	487,111.03	
Transition to Teaching	84.350	227	40,595.18	
Rural Education	84.358	110	21,230.34	
Improving Teacher Quality State Grants	84.367	224	571,974.17	
Putnam County District School Board:				
Reading First State Grants	84.357	None	4,146.75	
Early Reading First	84.359	None	64,425.40	
<b>Total Indirect</b>			<b>12,734,425.96</b>	<b>39,232.67</b>
<b>Total United States Department of Education</b>			<b>13,287,327.12</b>	<b>39,232.67</b>
<b>Corporation for National and Community Service:</b>				
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	234	12,584.62	
<b>United States Department of Homeland Security:</b>				
Indirect:				
Florida Department of Education:				
State Homeland Security Grant Program	97.067	532	68,212.00	
<b>United States Department of Defense:</b>				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	49,934.52	
<b>Total Expenditures of Federal Awards</b>			<b>\$ 17,155,801.15</b>	<b>\$ 39,232.67</b>

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534  
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*

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Columbia County District School Board as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Columbia County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

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

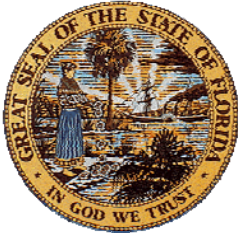
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

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

Respectfully submitted,



David W. Martin, CPA  
February 21, 2011



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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Legislative Auditing Committee

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

### Compliance

We have audited the Columbia County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2010. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2010.

### Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



David W. Martin, CPA  
February 21, 2011

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

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

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB <i>Circular A-133</i> ?	No
Identification of major programs:	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 - ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 - ARRA, and 84.392 - ARRA); State Fiscal Stabilization Cluster (CFDA Nos. 84.394 - ARRA and 84.397 - ARRA); and Child Nutrition Discretionary Grants Limited Availability (CFDA No. 10.579 - ARRA)
Dollar threshold used to distinguish between Type A and Type B programs:	\$514,674
Auditee qualified as low-risk auditee?	Yes

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**ADDITIONAL MATTERS**

**Finding No. 1: Performance Assessments**

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

The District established performance assessment procedures based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes, except that District records did not sufficiently evidence that instructional personnel and school administrators were evaluated based primarily on student performance. While the performance appraisal forms included student performance as a component of the evaluation, District records did not sufficiently evidence a correlation between student performance and the employee's performance assessments nor that student performance was the primary factor for the overall evaluation rating. For example, the evaluation form did not provide a numeric or percentage indicator to show that student achievement was the primary contributing factor used to evaluate employee performance.

Without measuring employee performance by the required criteria, performance assessments of instructional personnel and school administrators are incomplete and may not effectively communicate the employee's accomplishments or shortcomings.

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

**Finding No. 2: Compensation and Salary Schedules**

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes, provides that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes, requires the District to adopt a salary schedule

with differentiated pay for instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and must allow differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

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

The 2009-10 fiscal year salary schedule and applicable union contract for instructional personnel and school-based administrators provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes, could be improved, as follows:

- **Instructional Personnel.** Contrary to Section 1012.22(1)(c)2., Florida Statutes, the instructional personnel salary schedule and union contract did not evidence that a portion of the compensation of each instructional employee was based on performance.

The instructional personnel salary schedule and union contract provided salary supplements for additional responsibilities beyond the regular workday, such as supplements for coaches and grade and club sponsors. The District provided bonuses for teachers to become certified in District-defined critical shortage areas for reading and English for speakers of other languages. In addition, the salary schedule and union contract indicated that salary differentials would be provided for level of performance difficulties and school demographics for teachers willing to transfer to schools classified as F schools. While the District made supplemental salary payments to instructional personnel for additional responsibilities and critical shortage areas, District personnel indicated that no differential salary payments were made based on level of performance difficulties and school demographics because there were no F schools. However, since there were no F schools for the 2008-09 or 2009-10 fiscal years, the usefulness and relevance of the established differentiated pay factors for level of performance difficulties and school demographics were not readily apparent.

- **School-based Administrators.** District personnel indicated that the school-based administrators' salary schedule included consideration for additional responsibilities, school demographics, and level of job performance difficulties by the differing administrative pay grades for the elementary, middle and high schools based on the type schools. However, the salary schedule did not evidence consideration of differentiated pay based on critical shortage areas for school-based administrators, contrary to Section 1012.22(1)(c)4., Florida Statutes.

Without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for the differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlated to their compensation and the various differentiated pay factors were consistently considered and applied.

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

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**Finding No. 3: Information Technology - Written Policies and Procedures**

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

As similarly noted in our report Nos. 2009-065 and 2010-142, the District lacked written policies and procedures for the following IT functions:

- Administering vendor-supplied identification codes (IDs) and guest accounts.
- Prohibiting administrator rights on workstations of end users.

Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations.

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

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**Finding No. 4: Information Technology – Program Change Controls**

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

As similarly noted in our report Nos. 2009-065 and 2010-142, the District did not restrict programmers from accessing or updating production data. Without effective program change controls, the risk is increased that unauthorized or erroneous programs, including changes or patches, could be moved into the production environment without timely detection.

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

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**Finding No. 5: Information Technology – Review of Logs**

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Monitoring access to and modification of sensitive or critical tables, files, or transactions helps ensure the confidentiality, integrity, and availability of data and IT resources. As similarly noted in our report Nos. 2009-065 and 2010-142, the District logged modifications of sensitive or critical tables, files, and transactions; however, there was no

periodic review of the logs. Failure to review logs could preclude timely detection of inappropriate access to District data and IT resources, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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

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### FEDERAL AUDIT FINDINGS

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There were no audit findings on Federal programs required to be reported under OMB *Circular A-133*, Section 510.

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### PRIOR AUDIT FOLLOW-UP

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Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2010-142

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### MANAGEMENT'S RESPONSE

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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, 2010*

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
2010-142 (1)	Improving Teacher Quality State Grants (CFDA No. 84.367) - Allowable Costs/Cost Principles – Documentation of Time and Effort.	The District did not always maintain semiannual certifications or activity reports for employees whose time was charged solely or partially to the Improving Teacher Quality program.	Corrected.	

EXHIBIT A  
MANAGEMENT'S RESPONSE

COLUMBIA COUNTY SCHOOL DISTRICT  
OFFICE OF THE SUPERINTENDENT

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MICHAEL F. MILLIKIN  
SUPERINTENDENT

ALEX L. CARSWELL, JR  
ASSISTANT SUPERINTENDENT  
FOR OPERATIONS, BUDGETING AND  
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NARRAGANSETT M. SMITH  
ASSISTANT SUPERINTENDENT  
FOR SUPPORT SERVICES, FEDERAL PROJECTS  
AND ELEMENTARY EDUCATION



Touching Tomorrow Through Teamwork Today

MEMBERS OF THE BOARD

- KEITH HUDSON
- GLENN J. HUNTER
- LINARD JOHNSON
- CHARLES H. MAXWELL
- STEVE NELSON

December 16, 2010

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

Dear Mr. Martin:

In response to your letter of December 7, 2010, regarding the preliminary and tentative audit findings and recommendations, I submit the following:

**Performance Assessments**

Student performance is a consideration when conducting performance assessments for instructional personnel and school administrators. The District acknowledges the finding and will work towards compliance. This area is being addressed in the District's Race to the Top scope of work and has been approved by FDOE.

**Compensation and Salary Schedules**

For instructional personnel, the District, as part of its Race to the Top scope of work, will be working toward performance based pay.

For school-based administrators, the finding was due to the District not providing for differentiated pay of school based administrators for critical shortage areas. While a literal reading of FS 1012.22(1) (c) 4 seems to indicate critical shortage areas are to be considered, this would not appear to be practical since the state has only one certification for "School Principal". The District, however, is open to including critical shortage area once it has been determined how best to recognize that criteria.

**Information Technology**

- **Written Policies and Procedures**  
The District will continue to enhance written procedures for Information Technology functions. Procedures for accessing the District data base will continue to be improved and distributed to the appropriate staff.

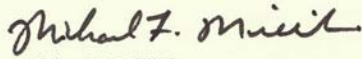
Accredited Systemwide by Southern Association of Colleges and Schools  
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Using Affirmative Action Guidelines

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

- Program Change Controls  
The District continues to work on implementing procedures to document program changes and restrict programmers from production data. As noted in the prior year audit response, these controls are constrained due to the limited number of staff.
- Review of Logs  
The District will continue to improve the schedule to review the activity logs. We will strive to complete a monthly review of logs to evaluate and document findings.

The District appreciates the assistance and suggestions made during the audit as well as the professionalism of the auditors assigned to the audit.

Sincerely,



Michael F. Millikin  
Superintendent of Schools

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