

**STATE OF FLORIDA AUDITOR GENERAL**

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

**COLUMBIA COUNTY  
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended  
June 30, 2015



Sherrill F. Norman, CPA  
Auditor General

## **Board Members and Superintendent**

During the 2014-15 fiscal year, Terry Huddleston served as Superintendent and the following individuals served as Board members:

	<u>District No.</u>
Linard Johnson to 11-17-14	1
Danny Green from 11-18-14	1
Dana Glenn Brady-Giddens	2
Steve Nelson, Vice Chair from 11-18-14	3
Keith Hudson, Chair to 11-17-14	4
Stephanie K. Finnell, Vice Chair to 11-17-14, Chair from 11-18-14	5

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 team leader was Nicole Lee and the audit was supervised by Cathy L. Bandy, CPA.

Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Supervisor, by e-mail at [dougconner@aud.state.fl.us](mailto:dougconner@aud.state.fl.us) or by telephone at (850) 412-2730.

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## SUMMARY

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### SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

### SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a significant deficiency, as summarized below. However, this significant deficiency is not considered to be a material weakness.

#### Significant Deficiency

**Finding 1:** The District did not always timely complete bank account reconciliations.

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 2:** The District did not always timely perform required background screenings for applicable instructional and noninstructional employees. A similar finding was noted in our report No. 2015-067.

**Finding 3:** As similarly noted in prior audits, the District did not obtain the required biennial actuarial valuation of its other postemployment benefit obligations.

**Finding 4:** Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.

**Finding 5:** District procedures need enhancement to ensure the eligibility of all students participating in the VIP.

**Finding 6:** District records did not evidence that timely, written notifications were provided to parents about student opportunities to participate in the District's VIP and the VIP open enrollment period dates.

**Finding 7:** Contrary to State law, the District did not offer part-time virtual instruction for kindergarten through grade 5 students.

**Finding 8:** The District needs to develop a comprehensive, written information technology (IT) disaster recovery plan and, once the plan is established, test the plan annually.

**Finding 9:** The District's IT security controls related to data loss prevention continue to need improvement.

### SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Title I, Special Education Cluster, Improving Teacher Quality, and Teacher Incentive Fund programs were audited as

major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs. However, we did note a noncompliance and control deficiency finding as summarized below.

**Federal Awards Finding No. 2015-001:** The District did not maintain required documentation to support salary charges for the Special Education – Grants to States Program. A similar finding was noted in our report No. 2015-067.

#### 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. 2015-067.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2015. 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, in both 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.



Sherrill F. Norman, CPA  
Auditor General

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Columbia County District School Board, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 26 percent of the assets and 69 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Columbia County District School Board, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note II. to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, Budgetary Comparison Schedule – General and Major Special Revenue Funds, Schedule of Funding Progress – Other Postemployment Benefits Plan, Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan, Schedule of District Contributions – Florida Retirement System Pension Plan, Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan, Schedule of District Contributions – Health Insurance Subsidy Pension Plan, and Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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

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

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 21, 2016

## **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, 2015. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2014-15 fiscal year are as follows:

- As of June 30, 2015, the assets and deferred outflows of resources exceed the liabilities and deferred inflows of resources by \$46,509,852.74. This amount represents net investment in capital assets of \$81,245,706.30, restricted net position of \$2,870,557.39 and a deficit unrestricted net position of \$37,606,410.95.
- The Districts total net position decreased \$34,021,294.49 from the 2013-14 fiscal year due, primarily, to the recognition of pension related liabilities and deferred outflows/inflows of resources required by Governmental Accounting Standards Board (GASB) Statement No. 68.
- General revenues total \$81,996,436.73, or 93.25 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$5,932,471.26 or 6.75 percent of all revenues.
- Expenses total \$88,389,629.48. Only \$5,932,471.26 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals \$4,408,248.64, which is \$744,896.92 more than the prior fiscal year balance. The General Fund total assigned and unassigned fund balances was \$3,197,031.03, or 4.5 percent of total General Fund revenues.
- The total debt increased by \$22,211,458.41, or 89.1 percent, mainly because of the new GASB Statement No. 68 requirement to report the District's proportionate share of net pension liability of \$22,543,289. The District also obtained new school buses through an installment purchase for \$1,550,790 during the fiscal year. In addition, compensated absences payable increased by \$1,956,752.81 primarily due to a change in the Districts termination pay policy.

### **OVERVIEW OF FINANCIAL STATEMENTS**

The basic financial statements consist of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

#### **Government-wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's

financial position, its assets, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, student support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes and State revenues finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents two separate legal entities in this report. The Belmont Academy, Inc. and Shining Star Academy of the Arts are legally separate organizations and component units that are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the District.

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

## **Fund Financial Statements**

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

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund and the Special Revenue – Other Federal Programs 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 – Other Federal Programs Funds to demonstrate compliance with the budget.

**Proprietary Fund:** Proprietary funds may be established to account for activities in which a fee is charged for services. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for the Florida IBM AS/400-TERMS Users' Group Consortium. Since these services predominantly benefit governmental functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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

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

### **Notes to Financial Statements**

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

### **Other Information**

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2015, compared to net position as of June 30, 2014:

## Net Position, End of Year

	Governmental Activities	
	6-30-15	6-30-14
Current and Other Assets	\$ 9,249,728.50	\$ 7,225,701.56
Capital Assets	105,852,054.27	107,275,375.60
<b>Total Assets</b>	<b>115,101,782.77</b>	<b>114,501,077.16</b>
Deferred Outflows of Resources	5,477,769.00	-
Long-Term Liabilities	56,783,348.79	32,615,137.57
Other Liabilities	2,791,347.24	1,354,792.36
<b>Total Liabilities</b>	<b>59,574,696.03</b>	<b>33,969,929.93</b>
Deferred Inflows of Resources	14,495,003.00	-
Net Position:		
Net Investment in Capital Assets	81,245,706.30	82,337,197.04
Restricted	2,870,557.39	2,991,089.11
Unrestricted (Deficit)	(37,606,410.95)	(4,797,138.92)
<b>Total Net Position</b>	<b>\$ 46,509,852.74</b>	<b>\$ 80,531,147.23</b>

The largest portion of the District's net position is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

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

The unrestricted net position is a deficit of \$37,606,410.95 due, in part, to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2015, and June 30, 2014, are as follows:

## Operating Results for the Fiscal Year Ended

	<b>Governmental Activities</b>	
	<b>6-30-15</b>	<b>6-30-14</b>
Program Revenues:		
Charges for Services	\$ 1,426,968.07	\$ 1,326,802.07
Operating Grants and Contributions	3,970,327.80	3,893,590.26
Capital Grants and Contributions	535,175.39	346,312.31
General Revenues:		
Property Taxes, Levied for Operational Purposes	14,183,510.22	14,299,634.29
Property Taxes, Levied for Capital Projects	3,777,187.11	3,765,440.58
Grants and Contributions Not Restricted to Specific Programs	63,093,711.73	62,698,830.71
Unrestricted Investment Earnings	14,697.65	9,154.35
Miscellaneous	927,330.02	1,108,976.56
<b>Total Revenues</b>	<b>87,928,907.99</b>	<b>87,448,741.13</b>
Functions/Program Expenses:		
Instruction	45,725,645.05	45,419,880.96
Student Personnel Services	4,757,795.68	4,172,887.13
Instructional Media Services	1,078,033.98	1,036,641.31
Instruction and Curriculum Development Services	2,152,903.59	1,802,355.56
Instructional Staff Training Services	1,730,832.29	1,281,526.23
Instructional-Related Technology	650,092.00	615,164.23
Board	542,038.10	465,259.67
General Administration	1,134,618.16	1,033,295.47
School Administration	4,570,248.30	4,373,307.46
Facilities Acquisition and Construction	846,652.36	406,470.95
Fiscal Services	535,899.40	461,323.19
Food Services	4,541,879.25	4,452,134.74
Central Services	1,054,016.99	999,326.14
Student Transportation Services	4,758,840.63	4,871,943.29
Operation of Plant	6,912,402.23	6,740,474.48
Maintenance of Plant	1,826,283.58	1,629,862.59
Administrative Technology Services	739,824.51	884,994.38
Community Services	426,687.87	376,799.93
Unallocated Interest on Long-Term Debt	1,136,650.38	1,228,127.24
Unallocated Depreciation	3,261,176.58	3,217,603.11
Loss on Disposal of Capital Assets	7,108.55	6,201.97
<b>Total Functions/Program Expenses</b>	<b>88,389,629.48</b>	<b>85,475,580.03</b>
<b>Change in Net Position</b>	<b>(460,721.49)</b>	<b>1,973,161.10</b>
Net Position, Beginning	80,531,147.23	78,557,986.13
Adjustment to Beginning Net Position (1)	(33,560,573.00)	-
Net Position - Beginning, as Restated	<b>46,970,574.23</b>	<b>78,557,986.13</b>
<b>Net Position - Ending</b>	<b>\$ 46,509,852.74</b>	<b>\$ 80,531,147.23</b>

Note: (1) Adjustment to beginning net position is due to the implementation of GASB Statement No. 68.

The largest revenue source is the State of Florida (63.43 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.

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

**Major Governmental Funds**

The General Fund is the District's chief operating fund. In previous fiscal years the total fund balance decreased significantly from \$4,814,374 at June 30, 2011, to \$2,050,056 at June 30, 2012, and \$1,397,130 at June 30, 2013. Increases in revenues and cost cutting measures that were implemented resulted in increases to the assigned and unassigned fund balances back to a level that meets statutory guidelines and fiscal well-being as of the end of fiscal year 2013-14.

At the end of the current fiscal year, assigned and unassigned fund balance is \$3,197,031, while the total fund balance is \$4,408,249. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is 4.51 percent of the total General Fund revenues, while total fund balance represents 6.22 percent of total General Fund revenues.

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

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>
Revenues	\$ 70,824,883.39	\$ 70,273,792.16	\$ 64,574,237.39	\$ 63,827,190.63
Expenditures	70,979,143.19	69,016,116.73	66,650,974.34	67,501,669.79
Other Financing Sources	899,156.72	1,008,546.47	1,417,816.71	916,155.44
Net Change in Fund Balance	<u>\$ 744,896.92</u>	<u>\$ 2,266,221.90</u>	<u>\$ (658,920.24)</u>	<u>\$ (2,758,323.72)</u>
Total Fund Balance	<u>\$ 4,408,248.64</u>	<u>\$ 3,663,351.72</u>	<u>\$ 1,397,129.82</u>	<u>\$ 2,056,050.06</u>
Assigned and Unassigned Fund Balance	<u>\$ 3,197,031.03</u>	<u>\$ 2,501,732.07</u>	<u>\$ 453,761.23</u>	<u>\$ 1,034,850.31</u>
Assigned and Unassigned Fund Balance as a percentage of Revenue	4.51%	3.56%	0.70%	1.62%

The Special Revenue – Other Federal Programs Fund has total revenues and expenditures of \$575,487.28 each and the funding was mainly used for instructional staff training. Because grant revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the 2014-15 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues of \$245,532.88, or 0.35 percent. At the same time, final appropriations are more than the original budgeted amounts by \$255,939. Budget revisions occurred primarily from changes in estimated State funding levels and adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues are \$909,342 greater than final budgeted amounts while actual expenditures are \$845,924.38, or 1.18 percent, less than final budget amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$1,823,478.81.

## CAPITAL ASSETS AND LONG-TERM DEBT

### **Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2015, is \$105,852,054.27 (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 additions included the acquisition of 15 school buses for \$1,550,790 through a lease-purchase program to replace older buses.

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

### **Long-Term Debt**

At June 30, 2015, the District has total long-term debt outstanding of \$24,606,347.97, composed of \$499,000 of bonds payable, \$20,225,000 of certificates of participation payable, \$2,429,414.01 of notes payable, \$137,283.22 in obligations under lease-purchase agreement, and \$1,315,650.74 in installment-purchase payables.

During the current fiscal year, the District participated in the State Board of Education's issuance of Series 2014B Refunding State School Bonds, totaling \$499,000. The bonds refunded Series 2005A and 2005B 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.

Additional information on the District's long-term debt can be found in Notes III.H.1. through III.I.5. to the financial statements.

## OTHER MATTERS OF SIGNIFICANCE

The Columbia County School Board continues to face the challenge of limited funding to support quality education. To add to the difficulty of maintaining financial stability, charter schools have become a part of the local educational environment. Shining Star Academy of the Arts opened in the 2012-13 school year and closed in the 2014-15 school year. Belmont Academy, Inc. opened in the 2013-14 school year and has grown each year of operation. Management and the Board continue to monitor the District's financial stability as we continue to maintain an optimal level of instruction for our students.

## REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Director of Finance, Columbia County District School Board, 372 West Duval Street, Lake City, Florida, 32055.

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# **BASIC FINANCIAL STATEMENTS**

**Columbia County District School Board  
Statement of Net Position  
June 30, 2015**

	<b>Primary Government Governmental Activities</b>	<b>Component Units</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 7,581,684.53	\$ 285,820.00
Investments	14,722.01	-
Accounts Receivable	112.13	-
Due from Other Agencies	1,097,051.12	-
Prepaid Items	-	33,850.00
Inventories	556,158.71	-
Capital Assets:		
Nondepreciable Capital Assets	3,037,009.78	-
Depreciable Capital Assets, Net	102,815,044.49	50,064.00
<b>TOTAL ASSETS</b>	<b>115,101,782.77</b>	<b>369,734.00</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions	5,477,769.00	-
<b>LIABILITIES</b>		
Payroll Deductions and Withholdings	2,466,672.56	-
Accounts Payable	307,140.50	185,675.00
Due to Other Agencies	6,503.73	-
Advanced Revenues	11,030.45	-
Long-Term Liabilities:		
Portion Due Within One Year	3,649,735.31	13,698.00
Portion Due After One Year	53,133,613.48	-
<b>TOTAL LIABILITIES</b>	<b>59,574,696.03</b>	<b>199,373.00</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions	14,495,003.00	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	81,245,706.30	50,064.00
Restricted for:		
State Required Carryover Programs	815,155.94	-
Debt Service	264,169.92	-
Capital Projects	816,484.16	-
Food Service	932,913.59	-
Donor Designations	41,833.78	-
Unrestricted	(37,606,410.95)	120,297.00
<b>TOTAL NET POSITION</b>	<b>\$ 46,509,852.74</b>	<b>\$ 170,361.00</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, 2015**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
Instruction	\$ 45,725,645.05	\$ 427,821.30	\$ -
Student Personnel Services	4,757,795.68	-	-
Instructional Media Services	1,078,033.98	-	-
Instruction and Curriculum Development Services	2,152,903.59	-	-
Instructional Staff Training Services	1,730,832.29	-	-
Instructional-Related Technology	650,092.00	-	-
Board	542,038.10	-	-
General Administration	1,134,618.16	-	-
School Administration	4,570,248.30	-	-
Facilities Acquisition and Construction	846,652.36	-	-
Fiscal Services	535,899.40	-	-
Food Services	4,541,879.25	500,828.75	3,970,327.80
Central Services	1,054,016.99	-	-
Student Transportation Services	4,758,840.63	119,031.26	-
Operation of Plant	6,912,402.23	-	-
Maintenance of Plant	1,826,283.58	-	-
Administrative Technology Services	739,824.51	379,286.76	-
Community Services	426,687.87	-	-
Unallocated Interest on Long-Term Debt	1,136,650.38	-	-
Unallocated Depreciation*	3,261,176.58	-	-
Loss on Disposal of Capital Assets	7,108.55	-	-
<b>Total Primary Government</b>	<b>\$ 88,389,629.48</b>	<b>\$ 1,426,968.07</b>	<b>\$ 3,970,327.80</b>
<b>Component Units</b>			
Charter Schools	\$ 2,927,661.00	\$ 52,532.00	\$ 0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

**Total General Revenues**

**Change in Net Position**

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

**Net Position - Ending**

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

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

**Net (Expense) Revenue and Changes in Net  
Position**

<b>Capital Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>	<b>Component Units</b>
\$ -	\$ (45,297,823.75)	\$ -
-	(4,757,795.68)	-
-	(1,078,033.98)	-
-	(2,152,903.59)	-
-	(1,730,832.29)	-
-	(650,092.00)	-
-	(542,038.10)	-
-	(1,134,618.16)	-
-	(4,570,248.30)	-
259,451.65	(587,200.71)	-
-	(535,899.40)	-
-	(70,722.70)	-
-	(1,054,016.99)	-
-	(4,639,809.37)	-
-	(6,912,402.23)	-
-	(1,826,283.58)	-
-	(360,537.75)	-
-	(426,687.87)	-
275,723.74	(860,926.64)	-
-	(3,261,176.58)	-
-	(7,108.55)	-
<b>\$ 535,175.39</b>	<b>(82,457,158.22)</b>	<b>-</b>
<b>\$ 0.00</b>	<b>-</b>	<b>(2,875,129.00)</b>
	14,183,510.22	-
	3,777,187.11	-
	63,093,711.73	2,777,896.00
	14,697.65	-
	927,330.02	-
	81,996,436.73	2,777,896.00
	(460,721.49)	(97,233.00)
	80,531,147.23	267,594.00
	(33,560,573.00)	-
	46,970,574.23	267,594.00
	<b>\$ 46,509,852.74</b>	<b>\$ 170,361.00</b>

**Columbia County District School Board  
Balance Sheet – Governmental Funds  
June 30, 2015**

	<b>General Fund</b>	<b>Special Revenue - Other Federal Programs Fund</b>	<b>Other Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,710,864.62	\$ -	\$ 834,254.96
Investments	-	-	14,722.01
Accounts Receivable	-	-	112.13
Due from Other Funds	-	-	777,219.55
Due from Other Agencies	-	539,341.88	557,709.24
Inventories	354,227.89	-	201,930.82
<b>TOTAL ASSETS</b>	<b>\$ 7,065,092.51</b>	<b>\$ 539,341.88</b>	<b>\$ 2,385,948.71</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payroll Deductions and Withholdings	\$ 2,466,672.56	\$ -	\$ -
Accounts Payable	183,667.58	82.88	123,390.04
Due to Other Funds	-	539,259.00	237,960.55
Due to Other Agencies	6,503.73	-	-
Advanced Revenues	-	-	11,030.45
<b>Total Liabilities</b>	<b>2,656,843.87</b>	<b>539,341.88</b>	<b>372,381.04</b>
Fund Balances:			
Nonspendable:			
Inventories	354,227.89	-	201,930.82
Restricted for:			
State Required Carryover Programs	815,155.94	-	-
Debt Service	-	-	264,169.92
Capital Projects	-	-	816,484.16
Food Service	-	-	730,982.77
Donor Designations	41,833.78	-	-
Total Restricted Fund Balance	856,989.72	-	1,811,636.85
Assigned for:			
Board Approved Budget Items	466,947.78	-	-
Purchases on Order	156,820.28	-	-
Total Assigned Fund Balance	623,768.06	-	-
Unassigned Fund Balance	2,573,262.97	-	-
<b>Total Fund Balances</b>	<b>4,408,248.64</b>	<b>-</b>	<b>2,013,567.67</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,065,092.51</b>	<b>\$ 539,341.88</b>	<b>\$ 2,385,948.71</b>

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

**Total  
Governmental  
Funds**

\$		7,545,119.58
		14,722.01
		112.13
		777,219.55
		1,097,051.12
		556,158.71
\$		9,990,383.10

\$		2,466,672.56
		307,140.50
		777,219.55
		6,503.73
		11,030.45
		3,568,566.79

556,158.71

815,155.94

264,169.92

816,484.16

730,982.77

41,833.78

2,668,626.57

466,947.78

156,820.28

623,768.06

2,573,262.97

6,421,816.31

\$		9,990,383.10
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**Columbia County District School Board  
Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
June 30, 2015**

**Total Fund Balances - Governmental Funds** \$ 6,421,816.31

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 105,852,054.27

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets of the internal service funds are included in governmental activities in the statement of net position. 36,564.95

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

Obligation Under Lease-Purchase	\$ (137,283.22)	
Installment Purchase Payable	(1,315,650.74)	
Notes Payable	(2,429,414.01)	
Bonds Payable	(499,000.00)	
Certificates of Participation Payable	(20,225,000.00)	
Compensated Absences Payable	(7,068,825.82)	
Net Pension Liability	(22,543,289.00)	
Other Postemployment Benefits Payable	<u>(2,564,886.00)</u>	(56,783,348.79)

The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and therefore, are not reported in governmental funds.

Deferred Outflows Related to Pensions	\$ 5,477,769.00	
Deferred Inflows Related to Pensions	<u>(14,495,003.00)</u>	<u>(9,017,234.00)</u>

**Net Position - Governmental Activities** **\$ 46,509,852.74**

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, 2015**

	<u>General Fund</u>	<u>Special Revenue - Other Federal Programs Fund</u>	<u>Other Governmental Funds</u>
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 57,938.57	\$ -	\$ -
Federal Through State and Local	371,120.70	575,487.28	10,821,763.56
State	54,778,014.55	-	994,890.26
Local:			
Property Taxes	14,183,510.22	-	3,777,187.11
Charges for Services	546,852.56	-	500,828.75
Miscellaneous	887,446.79	-	2,385.32
Total Local Revenues	<u>15,617,809.57</u>	<u>-</u>	<u>4,280,401.18</u>
<b>Total Revenues</b>	<u>70,824,883.39</u>	<u>575,487.28</u>	<u>16,097,055.00</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	43,384,475.20	77,192.62	3,041,210.66
Student Personnel Services	3,917,769.38	-	733,310.06
Instructional Media Services	1,048,477.50	-	-
Instruction and Curriculum Development Services	522,382.53	2,773.56	1,563,106.82
Instructional Staff Training Services	492,241.86	482,927.81	709,999.09
Instructional-Related Technology	638,165.39	-	-
Board	521,657.30	-	-
General Administration	787,316.57	291.20	207,188.04
School Administration	4,514,518.68	6,569.57	35,548.50
Facilities Acquisition and Construction	84,080.09	-	753,896.67
Fiscal Services	474,060.66	-	-
Food Services	21,524.12	-	4,499,767.42
Central Services	965,477.93	5,732.52	-
Student Transportation Services	3,827,049.25	-	493,808.04
Operation of Plant	6,869,052.39	-	872.69
Maintenance of Plant	1,816,082.80	-	-
Administrative Technology Services	353,567.96	-	-
Community Services	426,687.87	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	27,076.25	-	154,075.15
Other Capital Outlay	287,479.46	-	1,745,671.52
Debt Service:			
Principal	-	-	1,856,620.59
Interest and Fiscal Charges	-	-	1,136,650.38
<b>Total Expenditures</b>	<u>70,979,143.19</u>	<u>575,487.28</u>	<u>16,931,725.63</u>
<b>Deficiency of Revenues Over Expenditures</b>	<u>(154,259.80)</u>	<u>-</u>	<u>(834,670.63)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	862,941.50	-	-
Premium on Sale of Refunding Bonds	-	-	33,561.20
Proceeds of Lease Purchase Agreement	-	-	1,550,790.00
Proceeds from Sale of Refunding Bonds	-	-	499,000.00
Payments to Refunding Escrow Agent	-	-	(542,642.40)
Loss Recoveries	36,215.22	-	-
Transfers Out	-	-	(862,941.50)
<b>Total Other Financing Sources</b>	<u>899,156.72</u>	<u>-</u>	<u>677,767.30</u>
<b>Net Change in Fund Balances</b>	744,896.92	-	(156,903.33)
Fund Balances, Beginning	3,663,351.72	-	2,170,471.00
<b>Fund Balances, Ending</b>	<u>\$ 4,408,248.64</u>	<u>\$ 0.00</u>	<u>\$ 2,013,567.67</u>

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

**Total  
Governmental  
Funds**

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\$ 57,938.57  
11,768,371.54  
55,772,904.81  
  
17,960,697.33  
1,047,681.31  

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889,832.11  

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19,898,210.75  

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87,497,425.67

46,502,878.48  
4,651,079.44  
1,048,477.50  
2,088,262.91  
1,685,168.76  
638,165.39  
521,657.30  
994,795.81  
4,556,636.75  
837,976.76  
474,060.66  
4,521,291.54  
971,210.45  
4,320,857.29  
6,869,925.08  
1,816,082.80  
353,567.96  
426,687.87

181,151.40  
2,033,150.98

1,856,620.59  
1,136,650.38

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88,486,356.10  

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(988,930.43)

862,941.50  
33,561.20  
1,550,790.00  
499,000.00  
(542,642.40)  
36,215.22  

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(862,941.50)

1,576,924.02

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587,993.59  
5,833,822.72

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\$ 6,421,816.31

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**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, 2015**

**Net Change in Fund Balances - Governmental Funds** \$ 587,993.59

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (1,416,212.78)

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets. (7,108.55)

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

Obligation Under Lease-Purchase	\$	129,634.77	
Installment-Purchase Inception		(1,550,790.00)	
Installment-Purchase Repayments		235,139.26	
Notes Payable Repayments		461,846.56	
Refunding Bond Issued		(499,000.00)	
Bonds Refunded		525,000.00	
Bonds Principal Repayments		245,000.00	
Certificates of Participation Payable Principal Repayments		785,000.00	331,830.59

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year. (1,956,752.81)

Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.

FRS Pension Contribution	\$	2,997,000.00	
HIS Pension Contribution		596,235.00	
FRS Pension Expense		(664,229.00)	
HIS Pension Expense		(928,956.00)	2,000,050.00

Internal service funds are used by management to charge the cost of certain activities to individual funds. The net expense of internal service funds is reported with governmental activities. (521.53)

**Change in Net Position - Governmental Activities** \$ (460,721.49)

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

**Columbia County District School Board  
Statement of Net Position – Proprietary Fund  
June 30, 2015**

	<b>Governmental Activities - Internal Service Fund</b>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 36,564.95
<b>NET POSITION</b>	
Unrestricted	\$ 36,564.95

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

**Columbia County District School Board  
Statement of Revenues, Expenses, and Changes in Fund  
Net Position – Proprietary Fund  
For the Fiscal Year Ended June 30, 2015**

	<b>Governmental  Activities -  Internal Service  Fund</b>
<b>OPERATING REVENUES</b>	
Revenues from Member Districts	\$ 379,286.76
<b>OPERATING EXPENSES</b>	
Salaries	79,174.00
Employee Benefits	17,121.83
Purchased Services	283,574.00
<b>Total Operating Expenses</b>	<b>379,869.83</b>
<b>Operating Loss</b>	<b>(583.07)</b>
<b>NONOPERATING REVENUES</b>	
Interest Income	61.54
<b>Change in Net Position</b>	<b>(521.53)</b>
Total Net Position - Beginning	37,086.48
<b>Total Net Position - Ending</b>	<b>\$ 36,564.95</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, 2015**

	<b>Governmental Activities - Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Member Districts	\$ 379,286.76
Cash Payments to Suppliers for Goods and Services	(283,574.00)
Cash Payments to Employees for Services	(96,295.83)
	(583.07)
<b>Net Cash Used by Operating Activities</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	61.54
	61.54
<b>Net Cash Provided by Investing Activities</b>	
<b>Net Decrease in Cash and Cash Equivalents</b>	(521.53)
Cash and Cash Equivalents, Beginning	37,086.48
	\$ 36,564.95
<b>Cash and Cash Equivalents, Ending</b>	
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>	
Operating Loss	\$ (583.07)
	\$ (583.07)
<b>Net Cash Used by Operating Activities</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, 2015**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 841,978.24
<b>LIABILITIES</b>	
Accounts Payable	\$ 16,169.67
Internal Accounts Payable	<u>825,808.57</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 841,978.24</u>

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

# **NOTES TO FINANCIAL STATEMENTS**

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## **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

### **B. Reporting Entity**

The Columbia County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Columbia County.

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

Based on the application of these criteria, the following component units are included within the District's reporting entity:

**Blended Component Unit**. Blended component units, are in substance, part of the primary District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The Columbia County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note III.I.2. Due to the substantive economic relationship

between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

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

The Shining Star Academy of the Arts and the Belmont Academy, Inc. were not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operated under charters approved by its sponsor, the Columbia County District School Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charters, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools were public schools and the District is responsible for the operation, control, and supervision of public schools within the District. The District terminated its charter agreement with the Shining Star Academy of the Arts charter school on August 26, 2014, and administrative operations of the charter school ended on January 15, 2015.

The financial data reported on the accompanying statements was derived from the Shining Star Academy of the Arts audited financial statements for the period ended January 15, 2015, and the Belmont Academy, Inc. audited financial statements for the fiscal year ended June 30, 2015. The audit reports are filed in the District's administrative offices at 372 West Duval Street, Lake City, Florida, 32055.

### **C. Basis of Presentation: Government-wide Financial Statements**

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

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

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

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

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 Federal Programs Fund – to account for certain Federal grant program resources.

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

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

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

## **E. Basis of Accounting**

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

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

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

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

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

The charter schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

## **F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

### **1. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of 3 months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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

### **2. Investments**

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

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

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

### 3. Inventories

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

### 4. Capital Assets

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

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

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

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

### 5. Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The District's retirement plans and related amounts are described in a subsequent note.

## **6. Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums and discounts during the current period. The face amount of debt issued and premiums on debt issuances are reported as other financing sources.

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

## **7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense) until then. The District only has one item that qualifies for reporting in this category. The deferred outflows of resources related to pensions are discussed in a subsequent note.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. On the statement of net position, the District reports deferred inflows of resources related to pensions, which are discussed in a subsequent note.

## **8. Net Position Flow Assumption**

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

## **9. Fund Balance Flow Assumptions**

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

## **10. Fund Balance Policies**

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2015.

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

## **G. Revenues and Expenditures/Expenses**

### **1. Program Revenues**

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

### **2. State Revenue Sources**

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the FDOE 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 FDOE. The FDOE 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 5 months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The FDOE 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 fiscal year when the adjustments are made.

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

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

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

### **3. District Property Taxes**

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

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

The Board adopted the 2014 tax levy on September 9, 2014. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

#### 4. Federal Revenue Sources

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

#### 5. Compensated Absences

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

#### 6. Proprietary Fund Operating and Nonoperating Revenues and Expenses

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

### II. ACCOUNTING CHANGE

**Governmental Accounting Standards Board Statement No. 68.** The District participates in the FRS defined benefit pension plan and the HIS defined benefit pension plan administered by the Florida Division of Retirement. As a participating employer, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the District was decreased by \$33,560,573 due to the adoption of this Statement.

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

#### A. Cash Deposits with Financial Institutions

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

## B. Investments

As of June 30, 2015, the District had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
SBA:		
Florida PRIME (1)	34 Day Average	\$ 174,952.18
Debt Service Accounts	6 Months	<u>14,722.01</u>
Total Investments		<u>\$ 189,674.19</u>

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

### **Interest Rate Risk**

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

Florida PRIME uses a weighted average days to maturity (WAM). 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.

### **Credit Risk**

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

The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.

The District's investment in Florida PRIME is rated AAAM by Standard & Poor's.

## C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 2,924,298.22	\$ -	\$ -	\$ 2,924,298.22
Construction in Progress	94,600.64	160,923.27	142,812.35	112,711.56
Total Capital Assets Not Being Depreciated	<u>3,018,898.86</u>	<u>160,923.27</u>	<u>142,812.35</u>	<u>3,037,009.78</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,084,747.42	142,812.35	-	3,227,559.77
Buildings and Fixed Equipment	149,441,199.53	-	-	149,441,199.53
Furniture, Fixtures, and Equipment	5,293,452.59	485,963.51	241,365.93	5,538,050.17
Motor Vehicles	7,750,567.04	1,558,740.00	984,923.74	8,324,383.30
Property Under Lease-Purchase	2,259,698.08	-	-	2,259,698.08
Audio Visual Materials and Computer Software	1,652,273.02	-	-	1,652,273.02
Total Capital Assets Being Depreciated	<u>169,481,937.68</u>	<u>2,187,515.86</u>	<u>1,226,289.67</u>	<u>170,443,163.87</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,216,433.37	122,492.97	-	2,338,926.34
Buildings and Fixed Equipment	50,380,184.45	2,596,507.15	-	52,976,691.60
Furniture, Fixtures, and Equipment	3,967,223.19	436,837.01	234,257.38	4,169,802.82
Motor Vehicles	6,355,190.24	360,662.98	984,923.74	5,730,929.48
Property Under Lease-Purchase	723,103.36	45,193.96	-	768,297.32
Audio Visual Materials and Computer Software	1,583,326.33	60,145.49	-	1,643,471.82
Total Accumulated Depreciation	<u>65,225,460.94</u>	<u>3,621,839.56</u>	<u>1,219,181.12</u>	<u>67,628,119.38</u>
Total Capital Assets Being Depreciated, Net	<u>104,256,476.74</u>	<u>(1,434,323.70)</u>	<u>7,108.55</u>	<u>102,815,044.49</u>
Governmental Activities Capital Assets, Net	<u>\$ 107,275,375.60</u>	<u>\$ (1,273,400.43)</u>	<u>\$ 149,920.90</u>	<u>\$ 105,852,054.27</u>

The class of property under lease-purchase is presented in Note III.H.1.

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 360,662.98
Unallocated	<u>3,261,176.58</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,621,839.56</u>

## D. Retirement Plans

### 1. Florida Retirement System (FRS) – Defined Benefit Pension Plans

#### General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree HIS Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The District's FRS and HIS pension expense totaled \$1,593,185 for the fiscal year ended June 30, 2015.

#### FRS Pension Plan

*Plan Description.* The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after

33 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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 participating 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. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

*Benefits Provided.* Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>Percent Value</u>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<b>Elected County Officers</b>	3.00
<b>Senior Management Service Class</b>	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent

determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.37
FRS, Elected County Officers	3.00	43.24
FRS, Senior Management Service	3.00	21.14
DROP - Applicable to		
Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The District's contributions to the Plan totaled \$2,997,000 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a liability of \$7,814,600 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.128077326 percent, which was a decrease of 0.002718538 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the Plan pension expense of \$664,229. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 483,591
Change of assumptions	1,353,359	-
Net difference between projected and actual earnings on FRS pension plan investments	-	13,036,051
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	-	393,699
District FRS contributions subsequent to the measurement date	2,997,000	-
<b>Total</b>	<b>\$ 4,350,359</b>	<b>\$ 13,913,341</b>

The deferred outflows of resources related to pensions, totaling \$2,997,000, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (3,169,188)
2017	(3,169,188)
2018	(3,169,188)
2019	(3,169,188)
2020	89,823
Thereafter	26,947
<b>Total</b>	<b>\$ (12,559,982)</b>

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and

best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation (1)</b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>	<b>Standard Deviation</b>
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
<b>Total</b>	<b>100.00%</b>			
Assumed inflation - Mean		2.60%		2.00%

Note: (1) As outlined in the Plan's investment policy.

**Discount Rate.** The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	<b>1% Decrease (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>1% Increase (8.65%)</b>
District's proportionate share of the net pension liability	\$ 33,424,084	\$ 7,814,600	\$ (13,487,603)

**Pension Plan Fiduciary Net Position.** Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

### **HIS Pension Plan**

**Plan Description.** The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended

by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$596,235 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a net pension liability of \$14,728,689 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.157521978 percent, which was a decrease of 0.007758478 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the HIS Plan pension expense of \$928,956. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 524,105	\$ -
Net difference between projected and actual earnings on HIS pension plan investments	7,070	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	-	581,662
District contributions subsequent to the measurement date	596,235	-
<b>Total</b>	<b>\$ 1,127,410</b>	<b>\$ 581,662</b>

The deferred outflows of resources, totaling \$596,235, was related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (7,516)
2017	(7,516)
2018	(7,516)
2019	(7,516)
2020	(9,283)
Thereafter	(11,140)
<b>Total</b>	<b>\$ (50,487)</b>

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	4.29 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

While an experience study had not been completed for the plan, the FRS Actuarial Assumptions Conference reviewed the actuarial assumptions for the plan.

Discount Rate. The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal

to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.29 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	<b>1% Decrease (3.29%)</b>	<b>Current Discount Rate (4.29%)</b>	<b>1% Increase (5.29%)</b>
District's proportionate share of the net pension liability	\$ 16,752,691	\$ 14,728,689	\$ 13,039,227

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

## 2. FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Elected County Officers	11.34

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$442,310.31 for the fiscal year ended June 30, 2015.

## **E. Other Postemployment Benefit Obligations**

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

**Funding Policy.** Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2014-15 fiscal year, 55 retirees received other postemployment benefits. The District

provided required contributions of \$998,956 toward the annual OPEB cost, net of retiree contributions totaling \$513,258 which represents 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 GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the District's net OPEB obligation:

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2015, and the 2 preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012-13	\$ 993,012	100%	\$ 2,564,886
2013-14	998,956	100%	2,564,886
2014-15	998,956	100%	2,564,886

**Funded Status and Funding Progress.** As of March 1, 2011 the most recent valuation date, the actuarial accrued liability for benefits was \$7,530,801, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$7,530,801 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$47,725,373, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15.8 percent.

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

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

The District's OPEB actuarial valuation as of March 1, 2011, used the projected unit credit cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2015, and the District's 2014-15 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included an inflation rate of 3 percent, payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 6.20 percent initially beginning March 1, 2014, reduced by various percentages each year, to an ultimate rate of 4.9 percent after 69 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis over a 30-year period.

## F. Other Significant Commitments

**Encumbrances.** Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next fiscal year's appropriations are likewise encumbered.

The following is a schedule of encumbrances at June 30, 2015:

<u>Major Funds</u>			
<u>General</u>	<u>Special Revenue - Other Federal Programs</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 156,820.28	\$ 4,524.00	\$ 44,702.51	\$ 206,046.79

## G. Risk Management Programs

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

Health and hospitalization coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. A supplemental employee group insurance program for life, dental, vision, disability and accidental death and dismemberment was provided through purchased commercial insurance.

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

## H. Lease Obligations

### 1. Obligation Under Lease-Purchase

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

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	<u>\$ 145,382.93</u>	<u>\$ 137,283.22</u>	<u>\$ 8,099.71</u>

The stated interest rate is 5.9 percent.

### 2. Installment-Purchase Payable

School buses with an asset balance of \$1,550,790 are being acquired under an installment-purchase agreement. Future minimum installment-purchase payments and the present value of the minimum installment-purchase payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 235,139.26	\$ 208,392.08	\$ 26,747.18
2017	235,139.26	212,628.69	22,510.57
2018	235,139.26	216,951.43	18,187.83
2019	235,139.26	221,362.06	13,777.20
2020	235,139.26	225,862.35	9,276.91
2021	235,139.26	230,454.13	4,685.13
<b>Total</b>	<b>\$ 1,410,835.56</b>	<b>\$ 1,315,650.74</b>	<b>\$ 95,184.82</b>

The stated interest rate is 2.033 percent.

## I. Long-Term Liabilities

### 1. Notes Payable

Notes payable at June 30, 2015, are as follows:

<u>Note Description</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
Section 1013.23, Florida Statutes, Note: LaSalle National Bank	\$ 353,014.01	5.9	2016
Chapter 72-510, Laws of Florida (1972) First Federal Bank of Florida	<u>2,076,400.00</u>	3.2475	2027
Total Notes Payable	<u>\$ 2,429,414.01</u>		

On November 10, 1998, the District entered into a financing arrangement under the provisions of Section 1013.23, Florida Statutes. The obligation was undertaken to finance renovations, water conservation measures, and refuse reduction measures, and to refinance Phase I of the energy savings contract.

On November 1, 2010, the District entered into a financing arrangement under the provisions of Chapter 30469, Laws of Florida (1955); Chapter 72-510, Laws of Florida (1972); Chapter 550, Florida Statutes; Section 212.20, Florida Statutes; Chapter 1001, Florida Statutes; and a Final Judgment, dated April 30, 1998, of the Circuit Court of the Third Circuit in and for Columbia County, Florida. The obligation was undertaken to refund the 1998 District Revenue Bonds. The District has pledged as sole security, the entire annual distribution of pari-mutuel tax proceeds of \$223,250. The pledged revenue is committed until final maturity of the debt, or December 1, 2027. Approximately 79 percent of this revenue stream has been pledged in connection with the debt service on the note payable. The annual distribution is remitted by the Florida Department of Financial Services.

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

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2016	\$ 571,898.68	\$ 485,614.01	\$ 86,284.67
2017	197,512.93	136,600.00	60,912.93
2018	196,815.33	140,400.00	56,415.33
2019	195,895.91	144,100.00	51,795.91
2020	194,880.31	147,700.00	47,180.31
2021-2025	973,854.51	814,900.00	158,954.51
2026-2028	587,853.69	560,100.00	27,753.69
<b>Total</b>	<b>\$ 2,918,711.36</b>	<b>\$ 2,429,414.01</b>	<b>\$ 489,297.35</b>

## 2. Certificates of Participation

The District entered into a financing arrangement on July 11, 2007, which was characterized as a lease-purchase agreement, with the Columbia County School Board Leasing Corporation (Leasing Corporation) whereby the District secured financing of various educational facilities in the total amount of \$25,685,000.

The financing was accomplished through the issuance of Certificates of Participation, Series 2007, to be repaid from the proceeds of rents paid by the District.

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

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

The lease payments are payable by the District semiannually, on July 1 and January 1, at interest rates ranging from 4.1 to 5 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>
2016	\$ 1,770,147.50	\$ 820,000.00	\$ 950,147.50
2017	1,771,322.50	855,000.00	916,322.50
2018	1,769,985.00	890,000.00	879,985.00
2019	1,766,715.00	925,000.00	841,715.00
2020	1,766,246.26	965,000.00	801,246.26
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>\$ 30,154,487.31</b>	<b>\$ 20,225,000.00</b>	<b>\$ 9,929,487.31</b>

### 3. Bonds Payable

Bonds payable at June 30, 2015, 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 2014B, Refunding	\$ 499,000	2.0 - 5.0	2020

These bonds are issued by the State Board of Education (SBE) 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 SBE and the SBA.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2015, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2016	\$ 365,896.13	\$ 339,000.00	\$ 26,896.13
2017	143,940.00	136,000.00	7,940.00
2018	21,140.00	20,000.00	1,140.00
2019	2,140.00	2,000.00	140.00
2020	2,040.00	2,000.00	40.00
<b>Total State School Bonds</b>	<b>\$ 535,156.13</b>	<b>\$ 499,000.00</b>	<b>\$ 36,156.13</b>

### 4. Defeased Debt

The FDOE issued SBE Capital Outlay Refunding Bonds, Series 2014B dated December 2, 2014, with an average interest rate of 5 percent, to refund callable portions of the District's State School Bonds, Series 2005A and 2005B scheduled to mature in the years 2016 through 2018, including District bonds totaling \$499,000. The District's pro rata share of the net proceeds totaling \$542,642.40 (including premium received of \$33,561.20 and payment of \$856.30 in issuance

costs and underwriter's discount) plus an additional \$10,937.50 of sinking fund moneys were used to call and redeem the Series 2005 A and Series 2005B on January 1, 2015.

The refunding of the Series 2005A and 2005B Bonds reduced the District's total debt service payments by \$30,343.87.

## 5. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Obligation Under Lease-Purchase	\$ 266,917.99	\$ -	\$ 129,634.77	\$ 137,283.22	\$ 137,283.22
Installment Purchase Payable	-	1,550,790.00	235,139.26	1,315,650.74	208,392.08
Notes Payable	2,891,260.57	-	461,846.56	2,429,414.01	485,614.01
Bonds Payable	770,000.00	499,000.00	770,000.00	499,000.00	339,000.00
Certificates of Participation Payable	21,010,000.00	-	785,000.00	20,225,000.00	820,000.00
Compensated Absences Payable	5,112,073.01	3,121,857.63	1,165,104.82	7,068,825.82	1,165,000.00
Net Pension Liability (1)	36,905,627.00	3,477,719.00	17,840,057.00	22,543,289.00	494,446.38
Other Postemployment Benefits Payable	2,564,886.00	998,956.00	998,956.00	2,564,886.00	-
<b>Total Governmental Activities</b>	<b>\$69,520,764.57</b>	<b>\$ 9,648,322.63</b>	<b>\$22,385,738.41</b>	<b>\$56,783,348.79</b>	<b>\$ 3,649,735.69</b>

Note: (1) The beginning balance resulted from the implementation of GASB Statement No. 68.

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

## J. Fund Balance Reporting

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

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

## K. Interfund Receivables and Payables

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
Special Revenue:		
Other Federal Programs	\$ -	\$ 539,259.00
Nonmajor Governmental	<u>777,219.55</u>	<u>237,960.55</u>
<b>Total</b>	<b><u>\$ 777,219.55</u></b>	<b><u>\$ 777,219.55</u></b>

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

## L. Revenues

### 1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2014-15 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 42,723,201.00
Categorical Educational Program - Class Size Reduction	10,725,445.00
School Recognition	461,401.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	350,993.96
Workforce Development Program	299,577.00
Voluntary Prekindergarten Program	228,109.97
Gross Receipts Tax (Public Education Capital Outlay)	189,405.00
Food Service Supplement	64,407.00
Adults with Disabilities	51,531.25
Mobile Home License Tax	35,211.66
Discretionary Lottery Funds	34,259.00
Miscellaneous	<u>609,362.97</u>
<b>Total</b>	<b><u>\$ 55,772,904.81</u></b>

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

### 2. Property Taxes

The following is a summary of millages and taxes levied on the 2014 tax roll for the 2014-15 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	4.884	\$ 12,129,150.00
Basic Discretionary Local Effort	0.748	1,857,618.00
<b><u>Capital Projects - Local Capital Improvement Fund</u></b>		
Nonvoted Tax:		
Local Capital Improvements	1.500	3,725,169.00
<b>Total</b>	<b>7.132</b>	<b>\$ 17,711,937.00</b>

### M. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 862,941.50	\$ -
Nonmajor Governmental	-	862,941.50
<b>Total</b>	<b>\$ 862,941.50</b>	<b>\$ 862,941.50</b>

Transfers from the Local Capital Improvement Fund were to reimburse the General Fund for risk management insurance premiums, maintenance expenditures and other capital expenditures. A transfer from the School Food Service Fund to the General Fund was made to offset the costs of electricity for the kitchens.

### IV. CONSORTIUM

The District was a member of, and the fiscal agent for, the Florida IBM AS/400-TERMS Users' Group Consortium (Consortium). The Consortium was an association of small school districts. The purpose of the Consortium was to identify common needs, concerns, and strategies to the automation of the school system data. The District was the predominant participant in the Consortium and, therefore, established an internal service fund to account for the Consortium's resources and operations. The Consortium was dissolved at June 30, 2015, as most districts had implemented new software packages.

### V. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

The District received financial assistance from Federal and State agencies in the form of grants and appropriations. The disbursement of funds received under these programs generally requires compliance with specified terms and conditions and is subject to final determination by the applicable Federal and State agencies. Any disallowed claims should become a liability of the General Fund or other applicable funds. The remaining questioned costs identified in the audit for the fiscal years ended June 30, 2013, and June 30, 2014, totaled \$127,052, and \$1,026,673, respectively, for a total of \$1,153,725.

# OTHER REQUIRED SUPPLEMENTARY INFORMATION

## Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2015

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 55,000.00	\$ 55,000.00	\$ 57,938.57	\$ 2,938.57
Federal Through State and Local State	550,000.00	502,644.84	371,120.70	(131,524.14)
	55,217,308.00	54,733,468.66	54,778,014.55	44,545.89
Local:				
Property Taxes	13,986,766.00	14,183,510.29	14,183,510.22	(0.07)
Charges for Services	-	-	546,852.56	546,852.56
Miscellaneous	352,000.00	440,917.33	887,446.79	446,529.46
Total Local Revenues	14,338,766.00	14,624,427.62	15,617,809.57	993,381.95
<b>Total Revenues</b>	70,161,074.00	69,915,541.12	70,824,883.39	909,342.27
<b>Expenditures</b>				
Current - Education:				
Instruction	44,861,657.11	43,676,797.89	43,384,475.20	292,322.69
Student Personnel Services	3,655,155.81	3,918,201.01	3,917,769.38	431.63
Instructional Media Services	1,002,953.75	1,048,679.78	1,048,477.50	202.28
Instruction and Curriculum Development Services	485,129.57	542,465.55	522,382.53	20,083.02
Instructional Staff Training Services	433,350.75	492,375.20	492,241.86	133.34
Instructional - Related Technology Board	887,608.74	646,216.48	638,165.39	8,051.09
Board	446,433.52	523,433.52	521,657.30	1,776.22
General Administration	793,496.77	814,449.40	787,316.57	27,132.83
School Administration	4,442,607.14	4,544,051.44	4,514,518.68	29,532.76
Facilities Acquisition and Construction	-	117,137.27	84,080.09	33,057.18
Fiscal Services	477,696.18	475,836.18	474,060.66	1,775.52
Food Services	-	23,202.78	21,524.12	1,678.66
Central Services	813,897.89	1,082,278.65	965,477.93	116,800.72
Student Transportation Services	3,812,813.32	3,870,323.94	3,827,049.25	43,274.69
Operation of Plant	7,247,872.33	7,097,052.42	6,869,052.39	228,000.03
Maintenance of Plant	1,703,674.26	1,816,697.49	1,816,082.80	614.69
Administrative Technology Services	263,662.54	393,114.54	353,567.96	39,546.58
Community Services	241,118.89	428,198.32	426,687.87	1,510.45
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	27,076.25	27,076.25	-
Other Capital Outlay	-	287,479.46	287,479.46	-
<b>Total Expenditures</b>	71,569,128.57	71,825,067.57	70,979,143.19	845,924.38
<b>Deficiency of Revenues Over Expenditures</b>	(1,408,054.57)	(1,909,526.45)	(154,259.80)	1,755,266.65
<b>Other Financing Sources</b>				
Transfers In	805,000.00	805,000.00	862,941.50	57,941.50
Loss Recoveries	-	25,944.56	36,215.22	10,270.66
<b>Total Other Financing Sources</b>	805,000.00	830,944.56	899,156.72	68,212.16
<b>Net Change in Fund Balances</b>	(603,054.57)	(1,078,581.89)	744,896.92	1,823,478.81
Fund Balances, Beginning	3,663,351.72	3,663,351.72	3,663,351.72	-
<b>Fund Balances, Ending</b>	\$ 3,060,297.15	\$ 2,584,769.83	\$ 4,408,248.64	\$ 1,823,478.81

**Special Revenue - Other Federal Programs Fund**

<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -
-	575,487.28	575,487.28	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	575,487.28	575,487.28	-
-	77,192.62	77,192.62	-
-	-	-	-
-	-	-	-
-	2,773.56	2,773.56	-
-	482,927.81	482,927.81	-
-	-	-	-
-	-	-	-
-	291.20	291.20	-
-	6,569.57	6,569.57	-
-	-	-	-
-	-	-	-
-	5,732.52	5,732.52	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	575,487.28	575,487.28	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

**Schedule of Funding Progress –  
Other Postemployment Benefits Plan**

Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (2) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
03/01/09	\$ -	\$ 10,339,679	\$ 10,339,679	0.0%	\$ 50,759,127	20.4%
03/01/11	-	7,530,801	7,530,801	0.0%	47,725,373	15.8%

- Notes: (1) The District did not obtain an actuarial valuation to support the other postemployment benefits liability at June 30, 2015.  
(2) The District's OPEB actuarial valuation at March 1, 2011, used the projected unit credit cost method to estimate the actuarial accrued liability.

**Schedule of the District's Proportionate Share  
of the Net Pension Liability –  
Florida Retirement System Pension Plan (1)**

	<u>2014</u>	<u>2013</u>
District's proportion of the FRS net pension liability	0.128077326%	0.130795864%
District's proportionate share of the FRS net pension liability	\$ 7,814,600	\$ 22,515,790
District's covered-employee payroll	\$ 42,788,144	\$ 44,055,959
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	18.26%	51.11%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of District Contributions –  
Florida Retirement System Pension Plan (1)**

	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 2,997,000	\$ 2,805,437
FRS contributions in relation to the contractually required contribution	(2,997,000)	(2,805,437)
FRS contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 43,114,834	\$ 42,788,144
FRS contributions as a percentage of covered-employee payroll	6.95%	6.56%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of the District's Proportionate Share  
of the Net Pension Liability –  
Health Insurance Subsidy Pension Plan (1)**

	<u>2014</u>	<u>2013</u>
District's proportion of the HIS net pension liability	0.157521978%	0.165280456%
District's proportionate share of the HIS net pension liability	\$ 14,728,689	\$ 14,389,837
District's covered-employee payroll	\$ 46,804,595	\$ 48,015,478
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.47%	29.97%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of District Contributions –  
Health Insurance Subsidy Pension Plan (1)**

	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 596,235	\$ 539,617
HIS contributions in relation to the contractually required contribution	(596,235)	(539,617)
HIS contribution deficiency (excess)	\$ -	\$ -
District's covered-employee payroll	\$ 47,380,101	\$ 46,804,595
HIS contributions as a percentage of covered-employee payroll	1.26%	1.15%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

## 1. Budgetary Basis of Accounting

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

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

## 2. Schedule of Funding Progress – Other Postemployment Benefits Plan

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

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

## 3. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

*Changes of Assumptions.* As of June 30, 2014, the inflation rate assumption was decreased from 3 percent to 2.6 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

## 4. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

*Changes of Assumptions.* The municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.

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# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

## Columbia County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass -Through Grantor Number	Amount of Expenditures (1)
<b>United States Department of Agriculture:</b>			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	14002	\$ 773,589.33
National School Lunch Program	10.555 (2)	14001, 14003	3,046,233.80
Summer Food Service Program for Children	10.559	14006, 14007	26,987.14
<b>Total Child Nutrition Cluster</b>			<u>3,846,810.27</u>
Florida Department of Agriculture and Consumer Services:			
Fresh Fruit and Vegetable Program	10.582	14004	59,110.53
Florida Department of Financial Services:			
Schools and Roads - Grants to States	10.665	None	48,183.86
<b>Total United States Department of Agriculture</b>			<u>3,954,104.66</u>
<b>United States Department of Education:</b>			
Direct:			
Teacher Incentive Fund	84.374	N/A	575,487.28
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	2,095,513.91
Special Education - Preschool Grants	84.173	267	108,509.32
<b>Total Special Education Cluster</b>			<u>2,204,023.23</u>
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 193	153,260.57
Title I Grants to Local Educational Agencies	84.010	212, 226	2,883,665.01
Career and Technical Education - Basic Grants to States	84.048	161	167,392.28
Education for Homeless Children and Youth	84.196	127	36,379.87
Twenty-First Century Community Learning Centers	84.287	244	237,156.94
Rural Education	84.358	110	145,770.19
Improving Teacher Quality State Grants	84.367	224	443,447.76
School Improvement Grants	84.377	126	328,095.03
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RA111, RG311	316,651.88
<b>Total Indirect</b>			<u>6,915,842.76</u>

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass -Through Grantor Number</u>	<u>Amount of Expenditures (1)</u>
<b>United States Department of Homeland Security:</b>			
Indirect:			
Florida Division of Emergency Management: Homeland Security Grant Program	97.067	None	<u>\$ 79,999.25</u>
<b>United States Department of Defense:</b>			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	<u>57,938.57</u>
Total Expenditures of Federal Awards			<u><u>\$ 11,583,372.52</u></u>

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

(2) Noncash Assistance – National School Lunch Program. Includes \$261,546.28 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.



Sherrill F. Norman, 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 INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Columbia County District School Board, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 21, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

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

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

timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Financial Statement Finding 1 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

### **District's Response to Findings**

District's response to the findings identified in our audit is described in the accompanying **MANAGEMENT'S RESPONSE**. District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 21, 2016



Sherrill F. Norman, CPA  
Auditor General

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The President of the Senate, the Speaker of the  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

### Report on Compliance for Each Major Federal Program

We have audited the Columbia County District School Board's compliance with the types of compliance requirements described in the *OMB 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, 2015. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

### *Management's Responsibility*

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

### *Auditor's Responsibility*

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2015.

### ***Other Matter***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** as Federal Awards Finding No. 2015-001. Our opinion on each major Federal program is not modified with respect to this matter.

District's response to the noncompliance finding identified in our audit is included as **MANAGEMENT'S RESPONSE**. District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

### ***Report on Internal Control Over Compliance***

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

*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 a 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any

deficiencies in internal control over compliance that we consider to be a material weaknesses. However, we identified a certain deficiency in internal control over compliance as described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COST** as Federal Awards Finding No. 2015-001 that we consider to be a significant deficiency.

District's response to the internal control over compliance finding identified in our audit is included as **MANAGEMENT'S RESPONSE**. District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 21, 2016

# **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

## **SUMMARY OF AUDITOR'S RESULTS**

### **Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

### **Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
84.010	Title I Grants to Local Education Agencies
84.027 and 84.173	Special Education Cluster
84.367	Improving Teacher Quality State Grants
84.374	Teacher Incentive Fund
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 347,501
Auditee qualified as low-risk auditee?	No

## FINACIAL STATEMENT FINDING

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### SIGNIFICANT DEFICIENCY

#### **Finding 1: Bank Account Reconciliations**

Effective internal controls require that reconciliations of bank account balances to general ledger balances be performed on a timely, routine basis and reviewed by supervisory personnel. Such reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, permit prompt detection and correction of unrecorded and improperly recorded cash transactions or bank errors, and provide for the efficient and economic management of cash resources.

At June 30, 2015, the District reported cash and cash equivalent balances totaling \$7.5 million. During the 2014-15 fiscal year, the District maintained six bank accounts (payroll clearing, accounts payable clearing, food service collections, and three investment accounts) and Finance Office personnel were responsible for preparation of monthly bank account reconciliations, which supervisory personnel were to review and approve.

While bank account reconciliations for the food service collections and an investment account were timely completed and reviewed, the District Finance Office personnel had not, as of January 2016, performed the January through June 2015 bank account reconciliations for the remaining four accounts. District personnel indicated that bank account reconciliations were delayed because the Finance Office experienced personnel changes and workload issues due to an information technology finance application implemented in January 2015. We extended our audit procedures and determined that the amounts reported as cash and cash equivalents were properly classified for financial reporting purposes; however, our procedures do not substitute for management's responsibility to timely reconcile cash assets with the accounting record amounts.

Untimely bank account reconciliations increase the risk that any cash transaction errors or misappropriations that may occur will not be timely detected.

**Recommendation: District management should ensure that reconciliations are timely completed, reviewed, and approved for all District bank accounts.**

## ADDITIONAL MATTERS

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#### **Finding 2: Background Screenings**

Pursuant to State law,<sup>1</sup> each person hired or contracted to serve in an instructional or noninstructional capacity that requires direct contact with students must undergo background screenings. In addition, State law<sup>2</sup> provides that instructional and noninstructional employees who are permitted access on school grounds when students are present or who have direct contact with students must undergo a

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<sup>1</sup> Section 1012.32(2), Florida Statutes.

<sup>2</sup> Sections 1012.56(10), 1012.465, and 1012.467, Florida Statutes.

level 2 background screening<sup>3</sup> at least once every 5 years. To promote compliance with the statutory background screening requirements, District procedures require the Human Resources Department to ensure employees who have access to school grounds undergo required background screenings.

During the 2014-15 fiscal year, the District employed 675 instructional and 602 noninstructional personnel. To determine whether required background screenings had been timely performed for these employees, we examined District records, as of October 2015, for 30 selected employees (15 instructional and 15 noninstructional). We found that the required background screenings had not been performed at least once in the past 5 years for 5 (3 instructional and 2 noninstructional) of the 30 selected employees. The dates of the most recent background screening for these 5 employees ranged from December 2005 to August 2009. According to District personnel, the lack of screenings occurred due to oversights.

Subsequent to our inquiry, District personnel obtained background screenings in October 2015 for the 5 employees and did not identify any inappropriate backgrounds. However, absent effective controls to ensure that required background screenings are timely performed, there is an increased risk that employees with unsuitable backgrounds may have direct contact with students. A similar finding was noted in our report No. 2015-067.

**Recommendation: The District should take immediate action to identify employees who have not obtained the required background screenings, ensure the screenings are promptly obtained and evaluated, and make decisions, as necessary, based on evaluations of the screenings. In the future, the District should ensure that required background screenings are timely performed for District employees.**

### **Finding 3: Other Postemployment Benefits**

Generally Accepted Accounting Principles (GAAP) require the District to report an other postemployment benefits (OPEB) liability for its plan covering retired employees who continue to receive health benefits offered by the District. GAAP also require note disclosures to describe the OPEB plan, funding status and progress, and actuarial methods and assumptions. GAAP further require the District to obtain an actuarial valuation of its OPEB plan at least biennially since, at June 30, 2015, its plan had in excess of 1,000 plan members, exceeding the minimum 200-member plan requirement for the actuarial study. In addition, according to GAAP, certain Actuarial Standards of Practice (ASOPs) must guide preparation of the actuarial study. For example, Section 3.1.5 of the *Introduction to the Actuarial Standards of Practice, March 2013*, provides, in part, that actuarial standards should be used by actuaries who have the necessary education and experience to understand and apply the standards and other individuals should consider obtaining the advice of a qualified actuary before making use of or otherwise relying upon the ASOPs.

Contrary to GAAP, District personnel did not obtain the required biennial actuarial valuation for the OPEB plan. Instead, the District elected to report in the 2014-15 fiscal year annual financial report the liability of approximately \$2.6 million and related note disclosures from the 2011-12 fiscal year annual financial

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<sup>3</sup> A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the Florida Department of Law Enforcement and national criminal history records checks through the Federal Bureau of Investigation.

report. District personnel indicated that they elected to forego the services of a certified actuary as a cost savings measure citing that the cost of the previous actuarial study was approximately \$11,000. The OPEB expenses and related liability reported, and the estimated change in the liability and related expense, were not quantitatively material in the 2011-12 fiscal year; however, as the OPEB liability amount continues to accumulate and other changes in the plan occur, it becomes increasingly important for the District to comply with GAAP and obtain the required biennial actuarially prepared study. Similar findings were noted in our report Nos. 2014-101 and 2015-067.

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

#### **Finding 4: Virtual Instruction Program – Policies and Procedures**

State law<sup>4</sup> provides that district school boards are to prescribe and adopt standards and polices to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. State law<sup>5</sup> establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely, written parental notification of VIP options; ensure the eligibility of students participating in the VIPs; and provide computer equipment, Internet access, and instructional materials to eligible students.

During the 2014-15 fiscal year, the District enrolled 556 part-time and 8 full-time VIP students. The District's Student Progression Plan identified enrollment and withdrawal information related to the VIP. However, the District did not have comprehensive, written VIP policies and procedures to identify the processes necessary to ensure compliance with statutory requirements, document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, or establish a reliable standard to measure the effectiveness and efficiency of operations.

In response to our inquiry, District personnel indicated that District procedures, along with various Board policies that address student attendance, promotion, and other processes, were sufficient without comprehensive, written VIP policies and procedures. Notwithstanding this response, the absence of comprehensive, written VIP policies and procedures may have contributed to the instances of noncompliance and control deficiencies discussed in Findings 5 through 7.

**Recommendation: To enhance the effectiveness of VIP operations and related activities, the District should develop and maintain comprehensive, written VIP policies and procedures.**

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<sup>4</sup> Section 1001.41(3), Florida Statutes.

<sup>5</sup> Section 1002.45, Florida Statutes.

## **Finding 5: Virtual Instruction Program – Student Eligibility**

State law<sup>6</sup> authorizes students to participate in a VIP if they meet certain eligibility criteria as specified in State law.<sup>7</sup> The eligibility criteria include attending a Florida public school in the prior school year and being funded by the Florida Education Finance Program, being eligible to enter kindergarten or first grade, and other qualifying reasons.

District personnel indicated that they were unaware of the eligibility requirements and that the District did not verify the eligibility of any students who enrolled and participated in the District's VIP during the 2014-15 fiscal year. Subsequent to our inquiry, during the 2015-16 fiscal year, the District developed procedures to verify student eligibility for the District's VIP.

While our tests did not identify any students who participated in the District's VIP and did not meet the eligibility criteria, our tests do not substitute for the District's responsibility to verify student eligibility. Absent eligibility verifications, there is an increased risk that ineligible students may participate in the VIP.

**Recommendation: The District should continue efforts to verify the eligibility of students enrolled in the VIP and maintain documentation of those efforts.**

## **Finding 6: Virtual Instruction Program – Written Parental Notifications**

State law<sup>8</sup> requires each school district to provide information to parents and students about a student's right and choice to participate in a VIP. In addition, State law<sup>9</sup> requires the District to provide parents with timely, written notification of open enrollment dates for its VIP.

For the 2014-15 school year, District personnel indicated there were several communication methods used to provide information about the District's VIP to parents and students. Such communication methods included notices posted on the District's Web site and brochures posted and made available in school guidance offices. While these methods demonstrate District efforts to inform parents and students about the VIP, District records did not evidence that the District provided timely, written notifications directly to parents of students regarding the VIP and the VIP open enrollment dates.

In response to our inquiry, District personnel stated that they believed that their notifications complied with State law. Notwithstanding this response, without direct notifications, timely provided in writing to parents, some parents may not be informed of available VIP options and open enrollment periods, potentially limiting student access to virtual instruction. Such direct notifications could be made in writing by letter or e-mail.

**Recommendation: The District should ensure that parents are timely and directly notified about student opportunities to participate in the District's VIP and the VIP open enrollment dates.**

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<sup>6</sup> Section 1002.455(1), Florida Statutes.

<sup>7</sup> Section 1002.455(2), Florida Statutes.

<sup>8</sup> Section 1002.45(10), Florida Statutes.

<sup>9</sup> Section 1002.45(1)(b), Florida Statutes.

## **Finding 7: Virtual Instruction Program – Options**

State law<sup>10</sup> requires that the District, because it is located in a sparsely populated county eligible for special funding pursuant to State law,<sup>11</sup> provide students the option of participating in part-time and full-time instruction within the District's VIP.

Although, during the 2014-15 fiscal year, the District provided all students the opportunity to participate in full-time virtual instruction and grades 6 through 12 students the opportunity to participate in part-time virtual instruction, the District did not provide kindergarten through grade 5 students the opportunity to participate in part-time virtual instruction. District personnel indicated that the part-time option had not been established for kindergarten through grade 5 because it was unavailable through the District's VIP provider. However, without a part-time option for all students, the District limited student access to part-time virtual instruction.

**Recommendation: The District should ensure that part-time virtual instruction is offered to all students.**

## **Finding 8: Information Technology – Disaster Recovery Plan**

An important element of an effective internal control system over information technology (IT) operations is a disaster recovery plan to help minimize data and asset loss in the event of a major hardware or software failure. A disaster recovery plan should identify key recovery personnel and critical applications, provide for backups of critical data sets, and provide a step-by-step plan for recovery. In addition, plan elements should be tested annually to disclose any areas not addressed and to facilitate proper conduct in an actual disruption of IT operations.

The District participates in the North East Florida Educational Consortium (NEFEC) and obtains certain IT services, such as financial, payroll, and other critical applications. NEFEC developed an IT disaster recovery plan whereby member districts informally agreed to serve as alternate-processing sites for each other in the event of a disaster that interrupts critical IT operations. However, the District had not established a comprehensive, written disaster recovery plan, that included assigning responsibilities for recovery activities to key employees and backup personnel, prioritizing critical operations and data, and detailing the specific procedures to be followed when NEFEC is inoperable or other events interrupt District operations and affect the recovery and restoration of financial, payroll, and other critical applications.

In response to our inquiry, District personnel indicated they were in the process of developing a comprehensive, written disaster recovery plan but had not completed the plan as of January 2016. Without such a plan, and annual testing of the plan, there is an increased risk that the District may be unable to continue critical IT operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations.

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<sup>10</sup> Ibid.

<sup>11</sup> Section 1011.62(7), Florida Statutes.

**Recommendation: The District should continue its efforts to develop a comprehensive, written disaster recovery plan and, once the plan is established, test the plan annually.**

**Finding 9: Information Technology – Data Loss Prevention**

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District IT security controls related to data loss prevention need improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues.

Without adequate security controls related to data loss prevention, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings were communicated to District management in connection with our report Nos. 2014-101 and 2015-067.

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

**FEDERAL AWARDS FINDING AND QUESTIONED COSTS**

**Federal Awards Finding No. 2015-001:**

<b>Federal Agency:</b>	<b>United States Department of Education</b>
<b>Pass-Through Entity:</b>	<b>Florida Department of Education (FDOE)</b>
<b>CFDA Number:</b>	<b>84.027</b>
<b>Program Title:</b>	<b>Special Education – Grants to States Program</b>
<b>Compliance Requirement:</b>	<b>Allowable Costs/Cost Principles – Documentation of Time and Effort</b>
<b>Finding Type:</b>	<b>Noncompliance and Significant Deficiency</b>
<b>Questioned Costs:</b>	<b>None</b>

Federal regulations<sup>12</sup> provide, where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages must be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications must be prepared at least semiannually and signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. District personnel indicated that District procedures generally provide for the preparation of required semiannual certifications in November and May and, where employees are expected to work on multiple cost activities or cost objectives, a distribution of their salaries or wages is supported by personnel activity reports or equivalent documentation. These reports are required to reflect an after-the-fact distribution of the actual activity of each employee and must be signed by the employee.

District records of Special Education – Grants to States Program expenditures for the 2014-15 fiscal year indicated that the District charged \$453,588 to the Program for 100 percent of the salaries and benefits for 22 bus aides and 50 percent of the salary and benefits for a route coordinator. However, from

<sup>12</sup> United States Office of Management and Budget (OMB) Circular A-87, Attachment B, 8.h.(3).

November 2014 to May 2015, the bus aides and route coordinator did not prepare applicable semiannual certifications or personnel activity reports to evidence actual time worked on Program activities. While District records indicated that Program personnel prepared applicable semiannual certifications or personnel activity reports from July to October 2014, District personnel indicated that certifications or reports were not prepared from November 2014 to May 2015 because of oversights.

Based on our inquiry of the Transportation Director, review of bus aide job descriptions, and salary confirmation with the route coordinator, we determined that bus aide and route coordinator salaries and benefits were appropriately charged to the Program. However, absent the required semiannual certifications or monthly personnel activity reports evidencing actual time devoted to Federal program activities, the District cannot readily demonstrate that the salaries and benefits costs were allowable program costs and there is an increased risk that personnel costs may be inappropriately charged to a Federal program. A similar finding was noted in our report No. 2015-067.

**Recommendation: The District should enhance procedures to ensure that required documentation is maintained to support salaries and benefits costs charged to the Special Education – Grants to States Program.**

District Contact Person: Bonnie Penner, Director of Finance

## ***PRIOR AUDIT FOLLOW-UP***

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The District had taken corrective actions for findings included in our report No. 2015-067, except as noted in Findings 2, 3, 9 and Federal Finding No. 2015-001 and shown in Table 1.

**Table 1  
Findings Also Noted in Previous Audit Reports**

<b>Finding</b>	<b>2013-14 Fiscal Year Audit Report No. 2015-067, Finding</b>	<b>2012-13 Fiscal Year Audit Report No. 2014-101, Finding</b>
2	1	Not Applicable
3	3	3
9	5	7
No. 2015-001	No. 2014-002	Not Applicable

# SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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

<b>Audit Report No. and Federal Awards Finding No.</b>	<b>Program/Area</b>	<b>Brief Description</b>	<b>Status</b>	<b>Comments</b>
2014-101 (1)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Matching, Level of Effort, Earmarking - Maintenance of Effort	The District's local fiscal effort for the Special Education Program services decreased from the 2011-12 fiscal year to the 2012-13 fiscal year, resulting in a maintenance of effort shortfall and questioned costs of \$365,200.	Corrected.	Questioned costs were restored to the program.
2014-101 (2)	School Improvement Grants (CFDA No. 84.377) - Allowable Costs/Costs Principles	District records did not evidence the allowability of certain Federal expenditures charged to the School Improvement Grants program, resulting in \$16,793 of questioned costs.	Partially corrected.	Questioned costs have not been resolved.
2014-101 (3)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) - Allowable Costs/Costs Principles	The District did not maintain the required documentation to support custodial personnel salary and benefits charged to the Child Nutrition Cluster programs, resulting in \$110,259 of questioned costs.	Partially corrected.	Questioned costs have not been resolved.
2015-067 (2014-001)	Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Matching, Level of Effort, Earmarking - Maintenance of Effort	The District's local fiscal effort for the Special Education Program services decreased from the 2011-12 fiscal year, the last fiscal year in which the District maintained effort, to the 2013-14 fiscal year, resulting in a maintenance of effort shortfall and questioned costs of \$1,026,673.	Partially corrected.	Questioned costs have not been resolved.
2015-067 (2014-002)	Special Education - Grants to States (CFDA No. 84.027) - Allowable Costs/Cost Principles	The District did not maintain the required documentation to support transportation personnel salaries and benefits charged to the Special Education - Grants to States program, resulting in \$12,634 of questioned costs.	Corrected.	Questioned costs were restored to the program.

# MANAGEMENT'S RESPONSE

## COLUMBIA COUNTY SCHOOL DISTRICT

Finance Department  
372 WEST DUVAL STREET  
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TERRY L. HUDDLESTON  
SUPERINTENDENT

NARRAGANSETT SMITH  
ASSISTANT SUPERINTENDENT

BONNIE E. PENNER  
DIRECTOR OF FINANCE



### MEMBERS OF THE BOARD

KEITH HUDSON  
STEPHANIE K. FINNELL  
DANNY GREEN  
DANA GLENN BRADY  
STEVE NELSON

March 7, 2016

Sherrill F. Norman  
Auditor General  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Ms. Norman:

This letter is in response to the preliminary and tentative findings and recommendations dated February 8, 2016. The District submits the following responses:

**Bank Account Reconciliations:** With the implementation of new financial accounting software and the reduction of staff, certain processes were not kept timely. Reconciliations have been brought up to date and are being performed timely.

**Background Screening:** The District has strengthened its procedures to ensure required screenings and resubmissions are made and documented in our new Human Resources software.

**Other Postemployment Benefits:** This District plans to acquire the appropriate valuation for the 2015-16 fiscal year.

**Virtual Instructional Program – Policies and Procedures:** Upon creation of the Columbia Virtual Academy in the Fall of 2015, we have developed a policies and procedures manual concerning virtual instruction. Addendums will be added this spring

**Virtual Instruction Program – Student Eligibility:** Through our CVA website, each virtual student fills out an online application with the pertinent eligibility questions provided in Statute 1002.455.

**Virtual Instruction Program – Written Parental Notifications:** Beginning in the Spring of 2015, written notification was sent to all parents regarding their children's virtual instruction options for the upcoming school year.

**Virtual Instruction Program – Options:** This District now offers part-time virtual instruction for kindergarten through grade 5 students.

**Information Technology – Disaster Recovery Plan:** The District continues to develop a written disaster recovery plan.

**Information Technology – Data Loss Prevention:** The District continues to review and make updates as necessary to ensure the maximum security is provided.

**Documentation of Time and Effort:** Procedures exist and are now being followed to ensure appropriate time and effort records are obtained.

Sincerely,

  
Terry Huddleston

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