REPORT NO. 2013-119
MARCH 2013

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2012

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

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

	District No.
Jerry L. Taylor, Vice Chair from 11-22-11	1
Muriel S. Owens	2
Julie B. Ulmer, Chair	3
Ed daSilva	4
J.M. Holtzclaw, Vice Chair to 11-21-11	5

Jerry A. Scarborough, Superintendent

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

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

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding No. 2: The District's written information technology disaster recovery plan needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster; Migrant Education; Special Education Cluster; Federal Pell Grant Program; and Improving Teacher Quality 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 noncompliance and control deficiency findings as summarized below.

Federal Awards Finding No. 1: Controls over the Federal Pell Grant Program needed improvement.

Federal Awards Finding No. 2: Five employees who performed services for the Improving Teacher Quality program did not maintain semiannual certifications, contrary to Federal regulations.

Audit Objectives and Scope

Our audit objectives were to determine whether the Suwannee County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- **Presented the District's basic financial statements in accordance with generally accepted accounting principles;**
- **Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;**
- **Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;**
- **Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and**
- **Taken corrective actions for findings included in our report No. 2012-107.**

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

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S
REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Suwannee County District School Board, as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 25 percent of the assets and 91 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Suwannee County District School Board as of June 30, 2012, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the Suwannee Foundation for Excellence in Education, Inc. (Foundation), has been reported as a discretely presented component unit in prior fiscal years; however, the Foundation does not meet the criteria of being a component unit of the District and, therefore, is not reported for the 2011-12 fiscal year. This affects the comparability of the amounts reported for the 2010-11 fiscal year with the amounts reported for the 2011-12 fiscal year.

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
February 1, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Suwannee County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2012. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

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

- The District's total net assets decreased by $4,419,089, or 8.3 percent.
- General revenues totaled $46,092,700 or 92.1 percent of all revenues in the 2011-12 fiscal year, compared to $52,378,403, or 92.7 percent in the prior fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled $3,948,978 or 7.9 percent, compared to $4,139,467, or 7.3 percent for the prior fiscal year.
- The sum of the assigned and unassigned fund balances of the General Fund, representing the net current financial resources available for general appropriations by the Board, was $7,055,610 at June 30, 2012, or 17.5 percent of total General Fund expenditures. The prior fiscal year assigned and unassigned fund balances in the General Fund were $9,171,768, or 23.1 percent of total General Fund expenditures.
- During the current fiscal year, General Fund expenditures exceeded revenues by $2,197,329. This may be compared to last fiscal year's results in which General Fund revenues exceeded expenditures by $157,168.
- The District's total debt decreased by $539,710, or 12.5 percent. The District did not issue new debt in the 2011-12 fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and

administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

- Component unit – The Suwannee County School Board Leasing Corporation (Leasing Corporation), although 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, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

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

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

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

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

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2012, compared to net assets as of June 30, 2011:

Net Assets, End of Year

	Governmental Activities	
	6-30-12	6-30-11
Current and Other Assets	$ 13,516,319	$ 15,429,109
Capital Assets	45,768,432	48,958,053
Total Assets	59,284,751	64,387,162
Long-Term Liabilities	8,948,039	9,441,183
Other Liabilities	1,318,267	1,508,445
Total Liabilities	10,266,306	10,949,628
Net Assets:		
Invested in Capital Assets - Net of Related Debt	41,999,334	44,649,244
Restricted	4,942,102	4,549,625
Unrestricted	2,077,009	4,238,665
Total Net Assets	$ 49,018,445	$ 53,437,534

The largest portion of the District's net assets (85.7 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets (10.1 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (4.2 percent) may be used to meet the District's ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2012, and June 30, 2011, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-12	6-30-11
Program Revenues:		
Charges for Services	$ 1,190,824	$ 1,197,376
Operating Grants and Contributions	2,543,895	2,425,449
Capital Grants and Contributions	214,259	516,642
General Revenues:		
Property Taxes, Levied for Operational Purposes	10,250,443	10,037,779
Property Taxes, Levied for Capital Projects	2,335,486	2,348,716
Grants and Contributions Not Restricted to Specific Programs	32,574,247	39,202,671
Unrestricted Investment Earnings	78,448	130,784
Miscellaneous	854,076	658,453
Total Revenues	50,041,678	56,517,870
Functions/Program Expenses:		
Instruction	28,693,556	32,323,720
Pupil Personnel Services	1,999,781	1,918,652
Instructional Media Services	709,626	695,932
Instruction and Curriculum Development Services	1,089,348	1,027,341
Instructional Staff Training Services	931,312	1,250,472
Instruction Related Technology	529,588	393,526
School Board	269,807	290,372
General Administration	641,661	690,032
School Administration	2,977,653	2,929,602
Facilities Acquisition and Construction	1,152,373	1,142,343
Fiscal Services	391,780	403,261
Food Services	3,044,977	2,955,628
Central Services	448,877	700,239
Pupil Transportation Services	3,347,319	3,472,973
Operation of Plant	3,408,215	3,104,683
Maintenance of Plant	1,024,508	1,513,043
Administrative Technology Services	242,766	249,199
Community Services	48,001	47,190
Unallocated Interest on Long-Term Debt	94,339	117,861
Unallocated Depreciation Expense	3,374,200	3,373,590
Loss on Disposal of Capital Assets	41,080	45,064
Total Functions/Program Expenses	54,460,767	58,644,723
Decrease in Net Assets	$ (4,419,089)	$ (2,126,853)

The largest revenue source is the State of Florida (53 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs revenue decreased by $6,628,424, or 16.9 percent, due primarily to the loss of Federal revenues provided by the American Recovery and Reinvestment Act (ARRA) and other Federal stimulus programs.

Capital grants and contributions revenue decreased by $302,383, or 58.5 percent. The District did not receive revenue appropriations from the State for Public Education Capital Outlay (PECO) maintenance in the 2011-12 fiscal year.

Instruction expenses represent 52.7 percent of total governmental expenses in the 2011-12 fiscal year. Instruction expenses decreased by $3,630,164, or 11.2 percent, from the previous fiscal year due primarily to the elimination of expenditures funded by ARRA and other Federal stimulus programs in the prior fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is $6,364,140; assigned fund balance is $691,469; and total fund balance is $7,671,563. Total fund balance decreased by $2,197,329 during the fiscal year due primarily to the General Fund assuming salaries and benefits costs of instructional staff paid by Federal stimulus programs in the prior fiscal year.

The Special Revenue – Other Fund has total revenues and expenditures of $5,775,084 each, and is used to account for certain Federal grant program resources. The Special Revenue – Federal Economic Stimulus Programs Fund has total revenues and expenditures of $379,551 each, and the funding was mainly used for salaries and benefits to create or save existing jobs per assurances provided for in the project applications. The revenues and expenditures of the Special Revenue – Federal Economic Stimulus Programs Fund decreased $3.7 million each in the current fiscal year, due to the significant reduction of ARRA grant funding from the prior fiscal year. Because grant revenues attributed to grants accounted for in these funds are not recognized until expenditures are incurred, these funds generally do not accumulate fund balances.

The Capital Projects - Local Capital Improvement Fund (LCIF) has a total fund balance of $2,571,048, which is restricted for the acquisition, construction, and maintenance of capital assets. It should be noted that $439,119 has been encumbered for specific purposes. The District did not receive PECO funds from the State in the 2011-12 fiscal year, and the funding source for capital project needs, as identified in the Five-Year Work Plan, is the LCIF. In order to fund construction projects, which are identified in the Five-Year Work Plan, it is necessary to accumulate fund balance in the LCIF to carry forward into future fiscal years. Accordingly, the increase in the fund balance of the LCIF is attributed to the efforts of the District to fund future projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2011-12 fiscal year, the District amended its General Fund budget several times; however, final budgeted amounts were in line with original budgeted amounts.

Actual revenues are in line with the final budgeted amounts. The District continues to take steps to limit expenditures including maintaining the vacancies in key administrative personnel staff positions; consolidation of District-level departments; cutoff of all nonessential expenditures; adherence to strict budgetary controls; and conducting internal audits of utility services such as telephone and electricity usage. Although the District budgeted an increase in utility

costs based upon projections for anticipated increases in fuel costs provided by its energy provider, the total increase in utilities budgeted was not realized. Overall, the District's General Fund expenditures were $7.4 million less than the budgeted amount of $47.8 million. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $7,003,391.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2012, amounts to $45,768,432 (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; and audio visual materials and computer software.

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

Long-Term Debt

At June 30, 2012, the District has total long-term debt outstanding of $3,769,099, comprised of an installment-purchase payable of $759,824, bonds payable of $900,000, and certificates of participation payable of $2,109,275.

Additional information on the District's long-term debt can be found in notes 5 through 8 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The District continued receiving one-time appropriations under ARRA and the Education Job Act during the 2011-12 fiscal year. The intent of these funds is to help stabilize State and local government budgets in order to minimize and avoid reductions in education and other essential public services. Depending on the program, the majority of these funds were expended in the 2010-11 fiscal year, and the balance was expended in the 2011-12 fiscal year.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Suwannee County District School Board, 702 2nd Street, N.W., Live Oak, FL 32064.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 12,466,825.03
Investments	27,930.36
Accounts Receivable	21,599.19
Due from Other Agencies	203,315.70
Restricted Investments	551,015.91
Inventories	245,632.43
Capital Assets:	
Nondepreciable Capital Assets	1,324,138.29
Depreciable Capital Assets, Net	44,444,294.14
TOTAL ASSETS	$ 59,284,751.05
LIABILITIES	
Salaries and Benefits Payable	$ 445,671.30
Payroll Deductions and Withholdings	533,992.79
Accounts Payable	313,727.68
Deposits Payable	24,875.28
Long-Term Liabilities:	
Portion Due Within One Year	1,842,040.34
Portion Due After One Year	7,105,998.93
Total Liabilities	10,266,306.32
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	41,999,333.78
Restricted for:	
Fuel Tax Rebate	240,743.76
Debt Service	578,946.27
Capital Projects	2,882,983.34
Food Service	1,064,558.47
Other Purposes	174,869.81
Unrestricted	2,077,009.30
Total Net Assets	49,018,444.73
TOTAL LIABILITIES AND NET ASSETS	$ 59,284,751.05

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities:					
Instruction	$ 28,693,556.14	$ 473,953.36	$	$	$ (28,219,602.78)
Pupil Personnel Services	1,999,780.92				(1,999,780.92)
Instructional Media Services	709,625.75				(709,625.75)
Instruction and Curriculum Development Services	1,089,347.81				(1,089,347.81)
Instructional Staff Training Services	931,312.32				(931,312.32)
Instruction Related Technology	529,588.04				(529,588.04)
School Board	269,807.12				(269,807.12)
General Administration	641,660.89				(641,660.89)
School Administration	2,977,653.17				(2,977,653.17)
Facilities Acquisition and Construction	1,152,373.01			41,163.71	(1,111,209.30)
Fiscal Services	391,780.24				(391,780.24)
Food Services	3,044,976.68	619,556.79	2,543,894.58		118,474.69
Central Services	448,876.67				(448,876.67)
Pupil Transportation Services	3,347,318.54	97,314.04			(3,250,004.50)
Operation of Plant	3,408,214.96				(3,408,214.96)
Maintenance of Plant	1,024,507.77				(1,024,507.77)
Administrative Technology Services	242,766.41				(242,766.41)
Community Services	48,000.98				(48,000.98)
Unallocated Interest on Long-Term Debt	94,339.22			173,095.47	78,756.25
Unallocated Depreciation Expense*	3,374,199.92				(3,374,199.92)
Loss on Disposal of Capital Assets	41,080.34				(41,080.34)
Total Governmental Activities	$ 54,460,766.90	$ 1,190,824.19	$ 2,543,894.58	$ 214,259.18	(50,511,788.95)
General Revenues:					
Taxes:					
Property Taxes, Levied for Operational Purposes					10,250,442.57
Property Taxes, Levied for Capital Projects					2,335,486.26
Grants and Contributions Not Restricted to Specific Programs					32,574,246.80
Unrestricted Investment Earnings					78,448.14
Miscellaneous					854,076.42
Total General Revenues					46,092,700.19
Change in Net Assets					(4,419,088.76)
Net Assets - Beginning					53,437,533.49
Net Assets - Ending					$ 49,018,444.73

* 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.

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

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	$ 8,450,458.58	$ 2,399.98	$
Investments			
Accounts Receivable	21,599.19		
Due from Other Funds	40,057.03	2,329.98	
Due from Other Agencies	88,859.39	99,209.90	
Restricted Investments			
Inventories	200,340.25		
TOTAL ASSETS	$ 8,801,314.44	$ 103,939.86	$ 0.00
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	$ 388,019.58	$ 53,794.68	$
Payroll Deductions and Withholdings	533,821.29	171.50	
Accounts Payable	180,704.82	10,921.50	
Due to Other Funds	2,329.98	39,052.18	
Deposits Payable	24,875.28		
Total Liabilities	1,129,750.95	103,939.86	
Fund Balances:			
Nonspendable:			
Inventory	200,340.25		
Restricted for:			
Food Service			
Debt Service			
Capital Projects			
Fuel Tax Rebate	240,743.76		
Other Purposes	174,869.81		
Total Restricted Fund Balance	415,613.57		
Assigned to:			
Board Approved Budget Items	540,823.91		
Employee Health Insurance	150,645.58		
Total Assigned Fund Balance	691,469.49		
Unassigned Fund Balance	6,364,140.18		
Total Fund Balances	7,671,563.49		
TOTAL LIABILITIES AND FUND BALANCES	$ 8,801,314.44	$ 103,939.86	$ 0.00

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$ 2,625,533.48	$ 1,388,432.99	$ 12,466,825.03
	27,930.36	27,930.36
		21,599.19
		42,387.01
1,505.40	13,741.01	203,315.70
	551,015.91	551,015.91
	45,292.18	245,632.43
$ 2,627,038.88	$ 2,026,412.45	$ 13,558,705.63
$	$ 3,857.04	$ 445,671.30
		533,992.79
55,991.05	66,110.31	313,727.68
	1,004.85	42,387.01
		24,875.28
55,991.05	70,972.20	1,360,654.06
	45,292.18	245,632.43
	1,019,266.29	1,019,266.29
	578,946.27	578,946.27
2,571,047.83	311,935.51	2,882,983.34
		240,743.76
		174,869.81
2,571,047.83	1,910,148.07	4,896,809.47
		540,823.91
		150,645.58
		691,469.49
		6,364,140.18
2,571,047.83	1,955,440.25	12,198,051.57
$ 2,627,038.88	$ 2,026,412.45	$ 13,558,705.63

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total Fund Balances - Governmental Funds		$ 12,198,051.57
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		45,768,432.43
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:		
Installment-Purchase Payable	$ 759,823.65	
Bonds Payable	900,000.00	
Certificates of Participation Payable	2,109,275.00	
Compensated Absences Payable	3,572,280.62	
Other Postemployment Benefits Payable	1,606,660.00	(8,948,039.27)
Total Net Assets - Governmental Activities		$ 49,018,444.73

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

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SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2012

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 32,758.66	$ 647,645.09	$
Federal Through State and Local	190,125.51	5,125,108.69	379,551.17
State	26,234,396.22		
Local:			
Property Taxes	10,250,442.57		
Charges for Services	571,267.40		
Miscellaneous	873,682.32	2,329.98	
Total Local Revenues	11,695,392.29	2,329.98	
Total Revenues	38,152,672.68	5,775,083.76	379,551.17
Expenditures			
Current - Education:			
Instruction	24,383,308.83	3,988,039.72	360,967.13
Pupil Personnel Services	1,727,813.52	253,977.42	6,047.98
Instructional Media Services	705,818.75		
Instruction and Curriculum Development Services	400,158.97	682,825.84	
Instructional Staff Training Services	221,302.66	705,190.66	
Instruction Related Technology	528,172.04		
School Board	268,810.12		
General Administration	525,529.34	110,924.68	2,872.87
School Administration	2,959,935.17	69.00	
Facilities Acquisition and Construction	127,261.49		
Fiscal Services	389,706.24		
Food Services	14,537.67		
Central Services	448,554.67		
Pupil Transportation Services	2,868,881.27	5,039.25	
Operation of Plant	3,399,841.96		
Maintenance of Plant	1,020,922.77		
Administrative Technology Services	241,655.41		
Community Services	47,716.98		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	51,498.00		
Other Capital Outlay	18,575.75	29,017.19	9,663.19
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	40,350,001.61	5,775,083.76	379,551.17
Excess (Deficiency) of Revenues Over Expenditures	(2,197,328.93)		
Other Financing Sources (Uses)			
Transfers In			
Transfers Out			
Total Other Financing Sources (Uses)			
Net Change in Fund Balances	(2,197,328.93)		
Fund Balances, Beginning	9,868,892.42		
Fund Balances, Ending	$ 7,671,563.49	$ 0.00	$ 0.00

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$	$	$ 680,403.75
	2,492,012.58	8,186,797.95
	262,944.17	26,497,340.39
2,335,486.26		12,585,928.83
	619,556.79	1,190,824.19
12,125.79	12,225.29	900,363.38
2,347,612.05	631,782.08	14,677,116.40
2,347,612.05	3,386,738.83	50,041,658.49
		28,732,315.68
		1,987,838.92
		705,818.75
		1,082,984.81
		926,493.32
		528,172.04
		268,810.12
		639,326.89
		2,960,004.17
1,025,015.71		1,152,277.20
		389,706.24
	3,022,478.01	3,037,015.68
		448,554.67
		2,873,920.52
		3,399,841.96
		1,020,922.77
		241,655.41
		47,716.98
30,334.15	315,027.32	396,859.47
208,383.62	24,365.70	290,005.45
414,710.21	125,000.00	539,710.21
43,088.76	51,230.81	94,319.57
1,721,532.45	3,538,101.84	51,764,270.83
626,079.60	(151,363.01)	(1,722,612.34)
	130,635.00	130,635.00
(130,635.00)		(130,635.00)
(130,635.00)	130,635.00	
495,444.60	(20,728.01)	(1,722,612.34)
2,075,603.23	1,976,168.26	13,920,663.91
$ 2,571,047.83	$ 1,955,440.25	$ 12,198,051.57

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

Net Change in Fund Balances - Governmental Funds		$ (1,722,612.34)
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.		(3,148,539.83)
The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.		(41,080.34)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of principal payments in the current fiscal year.		
Obligations Under Capital Lease Payments	$ 55,228.02	
Installment-Purchase Payments	359,482.19	
Bond Payments	125,000.00	539,710.21
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences paid in excess of the amount earned in the current fiscal year.		191,397.54
Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year.		(237,964.00)
Change in Net Assets - Governmental Activities		$ (4,419,088.76)

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - FIDUCIARY FUNDS
June 30, 2012

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 688,969.00
LIABILITIES	
Internal Accounts Payable	$ 688,969.00

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The Suwannee 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 Suwannee County School District (District) is considered part of the Florida system of public education. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Suwannee County.

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

Blended Component Unit. The Suwannee County School Board Leasing Corporation (Leasing Corporation), was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in note 6. 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.

The Suwannee Foundation for Excellence in Education, Inc. (Foundation), was previously reported as a discretely presented component unit in prior fiscal years; however, due to the nature and insignificance of the Foundation to the District's operations, the Foundation did not meet the criteria of being a component unit of the District and, therefore, is not reported in the District's financial statements for the 2011-12 fiscal year.

Basis of Presentation:

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

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

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

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

The effects of interfund activity have been eliminated from the government-wide financial statements.

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

  The District reports the following major governmental funds:

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

  Additionally, the District reports the following fiduciary fund type:

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

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime

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

factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use in governmental fund financial statements, it is the District's policy to use committed resources first, followed by assigned resources, and then unassigned resources as they are needed.

Deposits and Investments. The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. At June 30, 2012, the District had no investments considered cash equivalents.

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

Investments consist of amounts placed in the State Board of Administration (SBA) debt service accounts for investment of debt service moneys and those made locally.

Investments made locally consist of United States government instrumentality obligations and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note.

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

Capital Assets. Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $750. 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.

Buildings and fixed equipment and improvements other than buildings are depreciated using the composite method, while other capital assets are depreciated using the straight-line method, over the following estimated useful lives:

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

Description	Estimated Lives
Improvements Other Than Buildings	20 years
Buildings and Fixed Equipment	20 - 50 years
Furniture, Fixtures, and Equipment	5 - 10 years
Motor Vehicles	10 years
Audio Visual Materials and Computer Software	5 - 10 years

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

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

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

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

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

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

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

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

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

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 Suwannee County Property Appraiser, and property taxes are collected by the Suwannee County Tax Collector.

The Board adopted the 2011 tax levy on September 6, 2011. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

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

3. INVESTMENTS

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

Investments	Maturities	Fair Value
SBA:		
Debt Service Accounts	6 Months	$ 27,930.36
Obligations of United States Government Agencies and Instrumentalities - Federal Home Loan Bank (FHLB) Discount Notes (1)	12-15-2012	551,015.91
Total Investments		$ 578,946.27

Note: (1) This investment is held under a paying agent agreement in connection with the Qualified Zone Academy Bonds (QZABs) financing arrangement (See note 6).

- 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.

- 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 State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.

  The District's investment in United States instrumentalities is authorized under a forward delivery agreement with the QZABs paying agent. The investments must have a maturity date on or before December 15, 2021. The District's investment in the FHLB Discount Notes was rated A-1+ by Standard & Poor's and P-1 by Moody's Investors Service.

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

- Custodial Credit Risk

  Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.

  United States instrumentality obligations are held by the trustee in the name of the District in connection with the District's QZABs.

- Concentration of Credit Risk

  Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a formal investment policy that limits the amount the District may invest in any one issuer. Of the District's total investments, $551,015.91 or 95 percent is in FHLB Discount Notes, a government-sponsored enterprise of the United States Federal government. This investment also comprises 95 percent of investments reported in the other governmental funds. This investment is made pursuant to a forward delivery agreement related to the District's QZABs.

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

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions (1)	Deletions (1)	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 1,217,106.79	$ 107,031.50	$	$ 1,324,138.29
Total Capital Assets Not Being Depreciated	1,217,106.79	107,031.50		1,324,138.29
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	5,404,916.44	289,827.97		5,694,744.41
Buildings and Fixed Equipment	69,811,459.39	344,043.00		70,155,502.39
Furniture, Fixtures, and Equipment	6,043,018.26	285,820.45	592,958.73	5,735,879.98
Motor Vehicles	5,929,826.45			5,929,826.45
Property Under Capital Lease	344,043.00		344,043.00	
Audio Visual Materials and Computer Software	150,012.41	4,882.19	9,421.33	145,473.27
Total Capital Assets Being Depreciated	87,683,275.95	924,573.61	946,423.06	87,661,426.50
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	3,411,731.17	470,993.90		3,882,725.07
Buildings and Fixed Equipment	28,090,893.48	2,514,948.11		30,605,841.59
Furniture, Fixtures, and Equipment	4,629,233.58	484,054.22	552,933.89	4,560,353.91
Motor Vehicles	3,574,718.35	461,902.02		4,036,620.37
Property Under Capital Lease	103,212.90	17,202.15	120,415.05	
Audio Visual Materials and Computer Software	132,540.66	7,416.59	8,365.83	131,591.42
Total Accumulated Depreciation	39,942,330.14	3,956,516.99	681,714.77	43,217,132.36
Total Capital Assets Being Depreciated, Net	47,740,945.81	(3,031,943.38)	264,708.29	44,444,294.14
Governmental Activities Capital Assets, Net	$ 48,958,052.60	$ (2,924,911.88)	$ 264,708.29	$ 45,768,432.43

Note: (1) Includes the effect of reclassifying relocatable buildings under capital lease and associated accumulated depreciation of $344,043 and $120,415.05, respectively, as buildings and fixed equipment.

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	$ 461,902.02
Unallocated	3,374,199.92
Total Depreciation Expense - Governmental Activities	$ 3,836,101.94

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

5. INSTALLMENT-PURCHASE PAYABLE

Twenty school buses with an asset balance of $1,815,712 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 follow:

Fiscal Year Ending June 30	Total	Principal	Interest
2013	$ 401,367.05	$ 372,934.15	$ 28,432.90
2014	401,367.05	386,889.50	14,477.55
Total Minimum Installment-Purchase Payments	$ 802,734.10	$ 759,823.65	$ 42,910.45

The stated interest rate is 3.68 percent.

6. CERTIFICATES OF PARTICIPATION

The District entered into a financing arrangement on December 15, 2005, which arrangement was characterized as a lease-purchase agreement, with the Suwannee County School Board Leasing Corporation whereby the District secured financing of various educational facilities in the total amount of $2,109,275. The financing was accomplished through the issuance of Certificates of Participation, Series 2005 – QZABs, to be repaid from the proceeds of rents paid by the District.

The QZABs were issued under a special program whereby the certificates, bearing an original issue date of December 15, 2005, will mature in full on December 15, 2021, for the original $2,109,275 issue amount. There is no interest cost for borrowing moneys under this program. The financing proceeds were used to acquire equipment and improvements at several designated schools. The District entered into a paying agent agreement and forwarded delivery agreement under which mandatory deposits (rent payments) of $131,078 for 14 consecutive years began on December 15, 2008. The agreements provide a guaranteed investment return whereby the required deposits, along with accrued interest, will be sufficient to redeem the certificates at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a trust agreement until certificates mature. The QZABs are secured by the assets held under the trust agreement in the event of cancellation or default.

The schools designated for the purchase of equipment and improvements under the QZABs include:

- Branford Elementary School
- Branford High School
- Suwannee Intermediate School
- Suwannee Middle School
- Suwannee High School

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

7. BONDS PAYABLE

Bonds payable at June 30, 2012, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005B, Refunding	$ 840,000	5.0	2018
Series 2009A, Refunding	60,000	4.0 - 5.0	2019
Total Bonds Payable	$ 900,000		

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2013	$ 174,900	$ 130,000	$ 44,900
2014	178,500	140,000	38,500
2015	181,500	150,000	31,500
2016	174,000	150,000	24,000
2017	176,500	160,000	16,500
2018-2019	179,000	170,000	9,000
Total State School Bonds	$ 1,064,400	$ 900,000	$ 164,400

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

8. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Obligations Under Capital Lease	$ 55,228.02	$	$ 55,228.02	$	$
Installment-Purchase Payable	1,119,305.84		359,482.19	759,823.65	372,934.15
Bonds Payable	1,025,000.00		125,000.00	900,000.00	130,000.00
Certificates of Participation Payable	2,109,275.00			2,109,275.00	
Compensated Absences Payable	3,763,678.16	76,507.80	267,905.34	3,572,280.62	1,339,106.19
Other Postemployment Benefits Payable	1,368,696.00	597,004.00	359,040.00	1,606,660.00	
Total Governmental Activities	$ 9,441,183.02	$ 673,511.80	$1,166,655.55	$ 8,948,039.27	$ 1,842,040.34

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

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 40,057.03	$ 2,329.98
Special Revenue:		
Other	2,329.98	39,052.18
Nonmajor Governmental		1,004.85
Total	$ 42,387.01	$ 42,387.01

These interfund amounts are primarily the result of temporary loans to cover cash deficits in pooled cash accounts and corrections to expenditures between funds.

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
Capital Projects:		
Local Capital Improvement	$	$ 130,635.00
Nonmajor Governmental	130,635.00	
Total	$ 130,635.00	$ 130,635.00

Transfers were made to move restricted capital outlay revenues to provide the required sinking fund payment related to the QZABs to a nonmajor debt service fund.

10. FUND BALANCE REPORTING

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

- Nonspendable

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

- Restricted

  The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than in the General Fund as restricted, as well as unspent fuel tax rebates and timber sales proceeds reported in the General Fund, that are legally or otherwise restricted.

- Committed

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

- Assigned

  The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Chief Financial Officer and Board approval and not included in other categories.

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

- Unassigned

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

11. SCHEDULE OF STATE REVENUE SOURCES

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

Source	Amount
Florida Education Finance Program	$ 18,220,312.00
Categorical Educational Program - Class Size Reduction	6,034,304.00
Workforce Development Program	929,970.00
School Recognition	288,440.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	214,239.53
Mobile Home License Tax	54,738.94
Food Service Supplement	51,882.00
Discretionary Lottery Funds	17,634.00
Miscellaneous	685,819.92
Total	$ 26,497,340.39

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

12. PROPERTY TAXES

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

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.588	$ 8,966,885.59
Basic Discretionary Local Effort	0.748	1,200,291.77
Critical Operating Needs	0.250	401,167.04
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,407,002.22
Total	8.086	$ 12,975,346.62

13. FLORIDA RETIREMENT SYSTEM

Essentially all regular employees of the District are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail.

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

The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

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

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

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

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

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

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

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.
(B) Contribution rates are dependent upon retirement class in which reemployed.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions including employee contributions for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled $2,637,215.32, $2,997,859.02, and $2,062,286.41, respectively, which were equal to the required contributions for each fiscal year.

There were 92 District participants in the Investment Plan during the 2011-12 fiscal year. The District's contributions including employee contributions to the Investment Plan totaled $277,647.29, which was equal to the required contribution for the 2011-12 fiscal year.

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

14. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage and life insurance. 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. Additionally, the District pays a portion of the cost of healthcare and life insurance benefits for certain retired former employees (explicitly subsidized). Pursuant to the current instructional and school related employee contracts, current employees who retire with 30 or more years of service and are 52 years of age or older are eligible to receive the benefit. The benefits provided under this defined benefit plan continue until the employee reaches 65 years of age or becomes eligible for Medicare, whichever occurs first. The OPEB

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

Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through 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 2010-11 fiscal year, 81 retirees received other postemployment benefits and 255 retirees received life insurance benefits. The District provided required contributions of $359,040 toward the annual OPEB cost, net of retiree contributions totaling $360,216, which represents 1.6 percent of covered payroll for the 2011-12 fiscal year.

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:

Description	Amount
Normal Cost (service cost for one year)	$ 200,272
Amortization of Unfunded Actuarial Accrued Liability	482,748
Annual Required Contribution	683,020
Interest on Net OPEB Obligation	47,904
Adjustment to Annual Required Contribution	(133,920)
Annual OPEB Cost (Expense)	597,004
Contribution Toward the OPEB Cost	(359,040)
Increase in Net OPEB Obligation	237,964
Net OPEB Obligation, Beginning of Year	1,368,696
Net OPEB Obligation, End of Year	$ 1,606,660

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

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	$ 1,162,283	51.8%	$ 1,173,633
2010-11	578,078	66.3%	1,368,696
2011-12	597,004	60.1%	1,606,660

Funded Status and Funding Progress. As of October 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was $4,663,121, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $4,663,121 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $22,667,839, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 20.6 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 October 1, 2010, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2012, and to estimate the District's 2011-12 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.5 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The investment rate of return includes a general price inflation rate of 3 percent. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 9 percent initially for the 2010-11 fiscal year, reduced by decrements each year, to an ultimate rate of 5 percent after eight years. The unfunded actuarial accrued liability is being amortized

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

as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, was 9 years.

15. SIGNIFICANT COMMITMENTS

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

The following is a schedule of encumbrances at June 30, 2012:

Major Funds				
General	Special Revenue - Other	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
$520,824	$221,339	$ 439,119	$ 194,938	$ 1,376,220

16. 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 Suwannee County District School Board participates in a group self-insurance program administered by the Florida School Boards Association, Inc. The District's covered risks relating to comprehensive property and liability insurance, general liability, workers' compensation, money and securities, and employee fidelity and faithful performance are included in the group program. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The program is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years

Employee group health and hospitalization coverage is being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

17. OTHER LOSS CONTINGENCIES

The District was notified by the United States Department of Education (ED) that a complaint has been filed against the District by the Southern Poverty Law Center. This complaint was one of five filed against Suwannee and four other school districts in Florida. The complaint requested that the ED investigate the allegations. Presently, the District is awaiting further inquiry from the ED. The District's liability cannot be determined to be probable nor can a monetary amount of exposure be estimated.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 50,000.00	$ 50,000.00	$ 32,758.66	$ (17,241.34)
Federal Through State and Local	100,000.00	102,948.51	190,125.51	87,177.00
State	27,468,942.36	27,035,191.08	26,234,396.22	(800,794.86)
Local:				
Property Taxes	10,153,669.00	10,153,669.00	10,250,442.57	96,773.57
Charges for Services			571,267.40	571,267.40
Miscellaneous	827,500.00	1,246,174.76	873,682.32	(372,492.44)
Total Local Revenues	10,981,169.00	11,399,843.76	11,695,392.29	295,548.53
Total Revenues	38,600,111.36	38,587,983.35	38,152,672.68	(435,310.67)
Expenditures				
Current - Education:				
Instruction	26,901,065.00	27,286,622.17	24,383,308.83	2,903,313.34
Pupil Personnel Services	1,734,393.00	1,824,773.52	1,727,813.52	96,960.00
Instructional Media Services	755,486.00	748,013.30	705,818.75	42,194.55
Instruction and Curriculum Development Services	368,216.00	467,380.11	400,158.97	67,221.14
Instructional Staff Training Services	306,674.00	321,843.97	221,302.66	100,541.31
Instruction Related Technology	444,470.00	545,532.51	528,172.04	17,360.47
School Board	283,026.00	283,026.00	268,810.12	14,215.88
General Administration	1,618,325.00	1,434,968.14	525,529.34	909,438.80
School Administration	3,008,824.00	3,096,839.67	2,959,935.17	136,904.50
Facilities Acquisition and Construction	242,750.00	214,769.94	127,261.49	87,508.45
Fiscal Services	488,205.00	486,962.28	389,706.24	97,256.04
Food Services	4,000.00	17,637.97	14,537.67	3,100.30
Central Services	584,023.48	816,402.95	448,554.67	367,848.28
Pupil Transportation Services	3,357,026.00	3,357,814.42	2,868,881.27	488,933.15
Operation of Plant	4,846,962.00	5,243,383.70	3,399,841.96	1,843,541.74
Maintenance of Plant	1,540,749.00	1,240,655.41	1,020,922.77	219,732.64
Administrative Technology Services	288,038.00	283,972.61	241,655.41	42,317.20
Community Services	47,811.00	48,031.21	47,716.98	314.23
Fixed Capital Outlay:				
Facilities Acquisition and Construction		51,498.00	51,498.00	
Other Capital Outlay		18,575.75	18,575.75	
Total Expenditures	46,820,043.48	47,788,703.63	40,350,001.61	7,438,702.02
Excess (Deficiency) of Revenues Over Expenditures	(8,219,932.12)	(9,200,720.28)	(2,197,328.93)	7,003,391.35
Net Change in Fund Balances	(8,219,932.12)	(9,200,720.28)	(2,197,328.93)	7,003,391.35
Fund Balances, Beginning	9,868,892.42	9,868,892.42	9,868,892.42	
Fund Balances, Ending	$ 1,648,960.30	$ 668,172.14	$ 7,671,563.49	$ 7,003,391.35

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$	$ 647,645.09	$ 647,645.09	$	$	$	$	$
6,691,837.07	7,462,807.49	5,125,108.69	(2,337,698.80)	371,168.66	379,552.25	379,551.17	(1.08)
		2,329.98	2,329.98				
		2,329.98	2,329.98				
6,691,837.07	8,110,452.58	5,775,083.76	(2,335,368.82)	371,168.66	379,552.25	379,551.17	(1.08)
4,441,591.07	5,869,493.95	3,988,039.72	1,881,454.23	294,920.66	360,968.21	360,967.13	1.08
240,068.00	348,638.97	253,977.42	94,661.55	30,728.00	6,047.98	6,047.98	
831,746.00	819,906.21	682,825.84	137,080.37				
870,296.00	861,972.25	705,190.66	156,781.59				
190,354.00	158,534.40	110,924.68	47,609.72	3,520.00	2,872.87	2,872.87	
2,950.00	1,464.00	69.00	1,395.00				
	1,000.00		1,000.00				
114,832.00	20,425.61	5,039.25	15,386.36	42,000.00			
	29,017.19	29,017.19			9,663.19	9,663.19	
6,691,837.07	8,110,452.58	5,775,083.76	2,335,368.82	371,168.66	379,552.25	379,551.17	1.08
$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
October 1, 2007	$ 0	$ 11,853,606	$ 11,853,606	0.0%	$ 23,538,618	50.4%
October 1, 2010	0	4,663,121	4,663,121	0.0%	22,667,839	20.6%

Note: (1) The District's OPEB actuarial valuation used the entry age normal cost method to estimate the unfunded actuarial liability.

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

1. BUDGETARY BASIS OF ACCOUNTING

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

2. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The October 1, 2010, unfunded actuarial accrued liability of $4,663,121 was significantly lower than the October 1, 2007, liability of $11,853,606. This decrease was primarily due to a policy change effective July 1, 2009, that eliminated a direct premium subsidy for future retirees, which affected several actuarial assumptions.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	$ 152,838.27
National School Lunch Program	10.555	300, 350	471,088.20
Summer Food Service Program for Children	10.559	323	40,142.64
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	321	419,338.11
National School Lunch Program	10.555 (2)	300, 350	1,394,864.35
Summer Food Service Program for Children	10.559	323	13,741.01
Total United States Department of Agriculture			2,492,012.58
United States Department of Education:			
Direct:			
Federal Pell Grant Program	84.063	N/A	647,645.09
Indirect:			
Florida Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	2,235,895.04
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 226	42,212.55
Total Title I, Part A Cluster			2,278,107.59
Special Education Cluster:			
Special Education - Grants to States	84.027	263	1,258,959.99
Special Education - Preschool Grants	84.173	267	53,874.38
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	301,058.27
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	19,139.35
Total Special Education Cluster			1,633,031.99
Adult Education - Basic Grants to States	84.002	191, 193	141,865.62
Migrant Education - State Grant Program	84.011	217	325,779.88
Career and Technical Education - Basic Grants to States	84.048	161	201,294.87
Education for Homeless Children and Youth	84.196	127	51,471.84
Twenty-First Century Community Learning Centers	84.287	244	273,729.40
Education Technology State Grants	84.318	122	26,707.18
Rural Education	84.358	110	130,068.67
English Language Acquisition Grants	84.365	102	39,214.28
Improving Teacher Quality State Grants	84.367	224	388,577.52
Education Jobs Fund	84.410	541	17,141.00
Total Indirect			5,506,989.84
Total United States Department of Education			6,154,634.93
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	32,758.66
Total Expenditures of Federal Awards			$ 8,679,406.17

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 $148,226.52 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL
STATE OF FLORIDA

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

PHONE: 850-488-5534
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Suwannee County District School Board as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds as described in our report on the Suwannee County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting

that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
February 1, 2013

DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL
STATE OF FLORIDA

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

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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 COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the Suwannee County District School Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2012. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1 and 2.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1 and 2. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Restricted Purpose Relating to Testing of Internal Control Over Compliance

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

Respectfully submitted,



David W. Martin, CPA
February 1, 2013

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements	
Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	Yes
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Migrant Education – State Grant Program (CFDA No. 84.011); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 - ARRA, and 84.392 - ARRA); Federal Pell Grant Program (CFDA No. 84.063); and Improving Teacher Quality State Grants (CFDA No. 84.367)
Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

ADDITIONAL MATTERS

Finding No. 1: Adult General Education Classes

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

The FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. The FDOE procedures also provided that school districts develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date shall be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance.

For the 2011-12 fiscal year, the District reported to the FDOE 16,219 adult general education instructional contact hours for 247 students enrolled in 34 classes. We tested 444 contact hours reported for 10 students in 5 classes and noted 123 hours overreported for 4 students in 3 classes, and 93 hours underreported for 3 students in 4 classes. District personnel indicated that these reporting errors occurred mainly because District personnel incorrectly recorded student withdrawal dates.

Since future funding may be based, in part, on enrollment data submitted to the FDOE, it is important that the data be submitted correctly. A similar finding was noted in our report No. 2012-107.

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

Finding No. 2: 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 the 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 periodically to disclose any areas not addressed and to facilitate proper conduct in an actual disruption of IT operations.

The District participates in the Panhandle Area Educational Consortium (PAEC) and obtains certain IT services, such as financial, payroll, student records, and other critical applications, from the Northwest Regional Data Center (NWRDC). The NWRDC developed an IT disaster recovery plan whereby member districts agreed to serve as

alternate-processing sites for each other in the event of a disaster that interrupts critical IT operations. Also, the District prepared an IT disaster recovery plan that contained provisions for backups for critical on-site systems and general provisions for the protection and shutdown of computer hardware and equipment; however, the plan lacked the specific processes and procedures to be followed at the District to affect the recovery and restoration of financial, payroll, student records, and other critical applications. Such processes and procedures should include identification and prioritization of critical IT applications and systems and identification of the District's disaster recovery team members and their respective roles and responsibilities. In addition, the plan had not been tested locally to determine operability.

District personnel indicated that the District's IT disaster recovery plan did not identify the specific processes and procedures to recover and restore critical applications because the NWRDC had a disaster recovery plan; however, the NWRDC's disaster recovery plan is for data recovery and restoration for PAEC and did not identify for the District the specific processes and procedures for recovery and restoration. Without a detailed plan for the District's disaster recovery, there is an increased risk that the District may be unable to continue critical operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations. A similar finding was noted in our report No. 2012-107.

Recommendation: The District should revise and update its disaster recovery plan to include the specific processes and procedures necessary to affect the recovery and restoration of data for critical applications and test the plan in a simulated exercise to ensure it includes all the necessary components.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Education
Award Number: P063P112955
Program: Federal Pell Grant Program (CFDA No. 84.063)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: None

Special Provision – Administrative Capability. During the 2011-12 fiscal year, the District administered the Federal Pell Grant Program (Pell) at the Suwannee Hamilton Technical Center (SHTC) for 188 students, and program expenditures totaled $647,645. To continue participation in the program, Federal regulations require the District to demonstrate to the United States Department of Education (ED) that it is capable of adequately administering the Pell program under various standards established in Title 34, Section 668.16, Code of Federal Regulations (CFR). These administrative capability standards include requirements such as:

- The District's ability to administer the program in accordance with all statutory provisions;
- The use of an adequate number of qualified persons to administer the program, including consideration of staff size, number of student aid applications evaluated, the number of students and amount of funds administered, the financial aid delivery system used, the degree of office automation, and the number and distribution of financial aid staff;
- The administration of the program with adequate checks and balances in its system of internal controls, including separating the functions of authorizing payments and disbursing or delivery of funds; and
- Establishing and maintaining records required by regulations and the program.

During the 2011-12 fiscal year, the District experienced a change in administrative personnel and, as discussed below, we noted various control deficiencies and noncompliance with Federal regulations over Pell program activities that are likely attributable, in whole or in part, to an inadequate administrative capability by District personnel.

Financial Reporting. Title 34, Section 668.164, CFR, defines the disbursement date as the date the District makes a disbursement to a student's account at the District or pays a student directly. The District reports Pell awards and disbursements to the ED through the common origination and disbursement (COD) system. Our tests of 40 disbursements to 30 students disclosed 22 disbursements totaling $50,011 that had disbursement dates recorded in the COD system of 7 to 14 days days before the actual disbursement was credited to the student's account or paid directly to the student. Because several regulatory requirements are based on that date, including when the student possesses the rights and responsibilities of a Federal student aid (FSA) recipient, it is important to properly enter the disbursement date in the COD system. Incorrect disbursement dates recorded in the COD system increase the risk that students may not receive additional Federal program funding to which they are entitled.

Special Tests and Provisions – Disbursements. For clock-hour programs, the FSA Handbook requires that students receive the first disbursement when the program or academic year starts and requires schools to disburse the remaining amounts due to students before they reach the 60 percent completion point to avoid returning program funds or requiring students to return funds upon withdrawal. Our test of the 40 disbursements to 30 students disclosed that the SHTC did not make the initial disbursements totaling $9,250 to 4 students when the program or academic year started, but made the disbursements when the students had attended the 60 percent completion point, contrary to the FSA Handbook. Without timely receipt of program funds, students may be unable to pay their educational expenses.

Special Test and Provisions – Return of Pell Grant Funds. Title 34, Section 668.22(a)(5)(ii)(B)(1), CFR, requires the District to disburse earned but unpaid Pell grant program funds to students who withdraw prior to receiving Pell grant program funds as soon as possible. Within 14 days after a student's last date of attendance, the District must make a determination of the student's withdrawal date and the District must disburse earned but unpaid program funds to the student no later than 45 days after the District determined the student's withdrawal date. The SHTC student financial aid handbook had policies and procedures for withdrawals, return of Pell grant funds, and post-withdrawal disbursements. In addition, the District maintained records of the return calculations for each of the six students tested that received post-withdrawal disbursements, and the calculations were accurate; however, for five of the six students, institutional refunds totaling $4,751.74 were refunded to the ED from 224 to 377 days late.

Similar findings were noted in our report Nos. 2011-132 and 2012-107.

Recommendation: The District should make appropriate changes to meet the Federal administrative capability requirements of the Pell program. Also, the District should enhance its controls over the Pell program to ensure that disbursements dates are properly recorded and that disbursements to students and refunds to the ED are timely.

District Contact Person: Vickie Music, Chief Financial Officer

Federal Awards Finding No. 2:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Improving Teacher Quality State Grants (CFDA No. 84.367)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: None

Allowable Costs/Cost Principles – Documentation of Time and Effort. United States Office of Management and Budget (OMB) Circular A-87 provides that charges to Federal awards for salaries and wages be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official of the governmental unit. Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employee worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

For the 2011-12 fiscal year, the District reported total Improving Teacher Quality (ITQ) program expenditures of $388,577, of which salary and benefits totaled $340,157 for five employees who devoted 100 percent of their time to the program. To determine the propriety of ITQ program salary and benefit expenditures, we initially tested the salary and benefits totaling $198,607.62 for three employees; however, our test disclosed the employees did not maintain appropriate records, such as semiannual certifications, to evidence the actual time devoted to program activities. Further discussions disclosed that no semiannual certifications were prepared for any of the five employees paid from the program because District personnel were unfamiliar with the record keeping requirements. Subsequent to our initial inquiry, we either obtained employee confirmations or reviewed records, such as job descriptions, to evidence that the salaries and benefits charged to the program for the five employees were correct.

Absent the required semiannual certifications evidencing actual time devoted to Federal program activities, there is an increased risk that personnel costs may be inappropriately charged to a Federal program.

Recommendation: The District should enhance its procedures to ensure that required semiannual certifications are maintained to support Federal salaries and benefits charges.

District Contact Person: Vickie Music, Chief Financial Officer

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2012-107. The following table provides information on recurring District audit findings:

Current Fiscal Year Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers	2009-10 Fiscal Year Audit Report and Finding Numbers
1	Audit Report No. 2012-107, Finding No. 2	NA
2	Audit Report No. 2012-107, Finding No. 3	NA
Federal Awards Finding No. 1	Audit Report No. 2012-107, Federal Awards Finding No. 1	Audit Report No. 2011-132, Federal Awards Finding No. 1

NA – Not Applicable

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2012

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2011-132 (1) 2012-107 (1)	Federal Pell Grant Program (CFDA No. 84.063) - Eligibility, Reporting, and Special Tests and Provisions	Controls for the Federal Pell Grant Program were not adequate to ensure proper administration of the grant, resulting in questioned costs of $65,751 in the 2009-10 fiscal year and $1,041 in the 2010-11 fiscal year.	Partially corrected	The District has provided all requested data to the Federal administrators of the Pell program and is currently awaiting their determination as to the disposition of these findings.

EXHIBIT A
MANAGEMENT'S RESPONSE

SUWANNEE COUNTY SCHOOL BOARD

Serving The Children Of Our Community

702 – 2nd Street, NW • Live Oak, Florida 32064
Telephone: (386) 647-4600 • Fax: (386) 364-2635
www.suwannee.k12.fl.us

JERRY A. SCARBOROUGH
Superintendent of Schools

JERRY TAYLOR
DISTRICT 1
CATHERINE CASON
DISTRICT 2
JULIE ULMER
DISTRICT 3
ED DA SILVA
DISTRICT 4
J. M. HOLTZCLAW
DISTRICT 5
LEONARD J. DIETZEN, III
BOARD ATTORNEY

February 1, 2013

Mr. David W. Martin, CPA
Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Pursuant to the provisions of Section 11.45(4)(d), Florida Statutes, we are providing this response to the findings cited in the audit of the Suwannee County District School Board for the fiscal year ending June 30, 2012.

Finding No. 1: Adult General Education Classes

The District will continue to enhance its controls over the reporting of instructional contact hours for adult general education classes. The District is investigating the root causes of discrepancies in the instructional contact hours which are reported to Florida Department of Education (FDOE). The District will seek guidance from FDOE to determine the steps which are needed in order to reconcile the discrepancies and in order to report accurately in the future.

Finding No. 2: Information Technology – Disaster Recovery Plan

The District will continue to revise and update its disaster recovery plan to include the specific processes and procedures necessary to affect the recovery and restoration of data for critical applications and test the plan in a simulated exercise to ensure it includes all the necessary components. The District recognizes that the nature of technology requires an information technology disaster recovery plan to be continuously monitored and revised.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Mr. David W. Martin, CPA
Auditor General
February 1, 2013
Page 2

Federal Award Findings and Questioned Costs

Finding No. 1:

The District accepts the Auditor General's finding related to the Federal Pell Grant program. The District has made the appropriate changes to meet the Federal administrative capability requirements of the Pell program. Furthermore, the District has implemented procedures over the program to ensure that program disbursements are consistent with Federal requirements going forward.

Finding No. 2:

The District will enhance its procedures to ensure that required semiannual certifications are maintained to support Federal salaries and benefits charges. These certifications will substantiate that the personnel costs are appropriately charged to the proper Federal program.

The Suwannee County District School Board accepts your comments and recommendations with regard to its fiscal year 2011-2012 audit report in a positive and constructive manner. All recommendations will be reviewed and considered for implementation during the current fiscal year.

Sincerely,

Jerry A. Scarborough
Superintendent of Schools