

**NASSAU COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2009



BOARD MEMBERS AND SUPERINTENDENT

Nassau County District School Board members and the Superintendent who served during the 2008-09 fiscal year are listed below:

	<u>District No.</u>
Janet H. Adkins to 11-03-08 (1)	1
Donna Martin from 11-18-08	1
Gail G. Cook, Vice Chair to 11-17-08	2
Muriel N. Creamer, Chair	3
James M. Adams	4
Kathy Knight Burns, Vice Chair from 11-18-08	5

Dr. John L. Ruis, Superintendent

Note: (1) Member resigned, position remained vacant until 11-18-08.

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 Sue Granger and the audit was supervised by John P. Duffy, CPA. For the information technology portion of this audit, the audit team leader was Heidi Burns, CPA, CISA, and the supervisor was Nancy Reeder, CPA, CISA. 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) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

NASSAU COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: The District's procedures for restricting information technology access to appropriate users needed improvement.

Finding No. 2: The District's security controls related to user authentication needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The WIA Youth Activities, Title I Part A Cluster, Special Education Cluster, Improving Teacher Quality, and Hazard Mitigation programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

Audit Objectives and Scope

Our audit objectives were to determine whether the Nassau 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. 2009-063.

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, 2009. We obtained an understanding of the District's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
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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 Nassau County District School Board, as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's 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 71 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Nassau County District School Board as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Nassau 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.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 8) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 40 through 42) are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
December 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Nassau 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, 2009. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 9 through 38.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2008-09 fiscal year are as follows:

- The District's assets exceeded its liabilities at June 30, 2009, by \$181,732,903.70 (net assets). Of this amount, \$4,603,685.56 (unrestricted net assets) may be used to meet the District's current and future obligations.
- In total, net assets increased \$10,326,888.59, which represents a 6 percent increase from the 2007-08 fiscal year.
- General revenues totaled \$92,957,275.17, or 89 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled \$11,230,192.41, or 11 percent.
- Expenses totaled \$93,860,578.89; only \$11,230,192.41 of these expenses was offset by program specific charges, with the remainder paid from general revenues. General revenues were primarily from the State's education finance program, State categorical educational programs, and local property taxes.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$5,840,528.04 at June 30, 2009, or 8 percent of total General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-wide Financial Statements

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

The government-wide statements present the District's governmental activities. These activities represent 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.

Fund Financial Statements

Fund financial statements are one of the basic financial statement components. 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. As discussed below, all of the District's funds are classified as governmental funds, except for the school and activity (internal) funds, which are classified as fiduciary funds.

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 short-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 short-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 - ARRA Economic Stimulus Fund, Capital Projects - Public Education Capital Outlay Fund, Capital Projects - Local Capital Improvement Fund, and Capital Projects - Other Capital Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts and maintains annual budgets 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 the school and activity funds, commonly called the school internal 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

Over time, net assets may serve 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, 2009, compared to net assets as of June 30, 2008:

	Net Assets, End of Year	
	Governmental	
	Activities	
	<u>6-30-09</u>	<u>6-30-08</u>
Current and Other Assets	\$ 50,641,315.64	\$ 59,131,847.04
Capital Assets	<u>145,113,694.78</u>	<u>125,963,465.38</u>
Total Assets	<u>195,755,010.42</u>	<u>185,095,312.42</u>
Long-Term Liabilities	10,256,430.10	9,875,048.66
Other Liabilities	<u>3,765,676.62</u>	<u>3,814,248.65</u>
Total Liabilities	<u>14,022,106.72</u>	<u>13,689,297.31</u>
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	138,775,113.78	119,359,884.38
Restricted	38,354,104.36	48,468,017.11
Unrestricted	<u>4,603,685.56</u>	<u>3,578,113.62</u>
Total Net Assets	<u><u>\$ 181,732,903.70</u></u>	<u><u>\$ 171,406,015.11</u></u>

The largest portion of the District’s net assets (76 percent) reflects its investment in capital assets (e.g., land, buildings, furniture 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 (21 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (3 percent) may be used to meet the government’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, 2009, and June 30, 2008, are as follows:

	Governmental Activities	
	6-30-09	6-30-08
Program Revenues:		
Charges for Services	\$ 2,644,805.39	\$ 2,598,207.91
Operating Grants and Contributions	5,025,144.41	4,940,484.83
Capital Grants and Contributions	3,560,242.61	12,271,815.89
General Revenues:		
Property Taxes, Levied for Operational Purposes	48,299,419.76	44,823,203.55
Property Taxes, Levied for Capital Projects	13,704,214.43	14,358,200.60
Grants and Contributions Not Restricted to Specific Programs	30,100,468.91	36,613,479.38
Unrestricted Investment Earnings	184,706.78	1,465,847.99
Miscellaneous	668,465.29	974,051.05
Total Revenues	104,187,467.58	118,045,291.20
Functions/Program Expenses:		
Instruction	48,512,033.36	49,988,771.38
Pupil Personnel Services	3,807,743.77	3,982,972.83
Instructional Media Services	1,532,666.17	1,743,909.62
Instruction and Curriculum Development Services	2,581,717.10	3,064,428.10
Instructional Staff Training Services	708,553.55	902,518.97
Instruction Related Technology	790,152.15	688,920.59
Board of Education	461,736.44	433,700.55
General Administration	904,554.84	871,906.27
School Administration	5,269,133.18	5,290,629.11
Facilities Acquisition and Construction	1,052,216.44	1,476,836.52
Fiscal Services	524,103.15	506,231.53
Food Services	4,520,539.72	4,411,149.16
Central Services	508,498.92	494,290.96
Pupil Transportation Services	4,577,491.51	5,152,024.96
Operation of Plant	7,847,989.62	8,093,556.62
Maintenance of Plant	2,745,793.50	3,160,199.89
Administrative Technology Services	836,263.88	834,853.91
Community Services	328,901.73	160,893.52
Interest on Long-Term Debt	254,328.05	265,437.26
Unallocated Depreciation Expense	6,096,161.91	5,791,401.36
Total Functions/Program Expenses	93,860,578.99	97,314,633.11
Increase in Net Assets	\$ 10,326,888.59	\$ 20,730,658.09

The majority of the District’s revenues for current operations are provided through the State’s Florida Education Finance Program (FEFP), State categorical programs, and local property taxes. The majority of these revenues are included in general revenues, which provided about 89 percent of total revenues, whereas program revenues provide only about 11 percent. The majority of program revenues (91 percent) are in the facilities acquisition and construction, food services, and pupil transportation services activities.

The FEFP funding formula is used to allocate State revenue sources for current District operations and, utilizing student enrollment data, is designed to maintain equity in funding across all Florida school districts considering funding ability based on taxable local property values. During the 2008-09 fiscal year, the District experienced increases in local property tax revenue of \$2,822,230.04, or 5 percent. The increases in local property values, along with the FEFP funding formula and reductions in the State FEFP appropriations, contributed toward a decrease in

FEFP funding of \$6,234,983. Student enrollment decreased by 84 students, from 11,110 in the 2007-08 fiscal year to 11,026 in the 2008-09 fiscal year.

Instructional activities represent the majority of the District's expenses, totaling approximately 51 and 52 percent, respectively, of total governmental expenses for the 2007-08 and 2008-09 fiscal years. The majority of the overall decrease in expenses is attributable to decreases in salaries and benefits from a reduction in the number of District employees.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$5,840,528.04 while the total fund balance is \$9,849,056.20. Portions of fund balance are not available for appropriation because they have been reserved to fund State categorical programs (\$2,762,020.36) and liquidate contracts and purchase orders (\$402,051.48). Additionally \$844,456.32 of fund balance represents inventory and is similarly not available for appropriation. The unreserved fund balance increased by \$1,492,183.55, and the total fund balance increased by \$1,274,090.37 during the fiscal year. Key factors in this growth are as follows:

- Total revenues decreased by \$3,515,703.97, or 4 percent, mainly from decreases in the State's Florida Education Finance Program funding.
- Total expenditures decreased by \$4,334,043.04, or 5 percent, due mainly to a decrease in salaries and benefits expenditures as a result of a decrease in the number of personnel employed by the District.
- Total revenues exceeded expenditures by \$438,943.38, while other financing sources totaled \$835,146.99.

The Special Revenue - ARRA Economic Stimulus Fund is used to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA). Because revenue is recognized to the extent that eligible expenditures have been incurred for these Federal grant program resources, the fund does not maintain a fund balance.

The Capital Projects – Public Education Capital Outlay Fund has a total fund balance of \$2,694,391.95, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by \$13,341,394.79 during the current year, mainly due to the completion of additions and renovations projects at various schools. A portion of fund balance (\$1,387,465) is reserved to liquidate contracts and purchase orders and, consequently, is not available for appropriation.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$26,908,739.27, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance increased by \$5,926,562.13 during the current year in anticipation of future construction projects identified in the District's Five-Year Facilities Work Plan. A portion of fund balance (\$1,630,117.67) is reserved to liquidate contracts and purchase orders and, consequently, is not available for appropriation.

The Capital Projects – Other Capital Projects Fund has a total fund balance of \$5,267,453.73, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by \$2,728,085.73 in the current year, mainly due to the completion of additions and renovations projects at various schools.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2008-09 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues of \$2,054,071.49 and an increase in final appropriations of \$172,593.95, from the original budgeted amounts. Budget revisions were due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures based on actual resources and needs.

Actual revenues are in line with the final budgeted amounts. Actual expenditures are \$5,574,733.08 less than anticipated, mainly because instructional and maintenance and operation of plant expenditures were less than planned. The actual ending fund balance exceeded the final amended budget fund balance by \$5,579,171.96.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets (net of accumulated depreciation) for its governmental activities as of June 30, 2009, is \$145,113,694.78. This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software.

Major capital asset events during the current fiscal year included the completion of several additions and renovations projects at various schools and significant construction in progress at an elementary school.

Additional information on the District's capital assets can be found in Notes 5 and 15 to the financial statements.

Long-Term Debt

At June 30, 2009, the District has total long-term debt outstanding of \$6,338,581. This amount was comprised of \$2,305,000 of State Board of Education Bonds, \$2,605,000 of District Revenue Bonds, and \$1,428,581 of Qualified Zone Academy Bonds financing. The District retired \$265,000 of long-term bonded debt during the year.

Additional information on the District's long-term debt can be found in Notes 6 through 8 to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Nassau County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of Business Services, Nassau County District School Board, 1201 Atlantic Avenue, Fernandina Beach, Florida 32034.

BASIC FINANCIAL STATEMENTS

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2009**

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 46,098,927.56
Investments	719,088.45
Accounts Receivable	27,703.11
Due from Other Agencies	2,289,227.18
Inventories	932,242.02
Capital Credits Receivable	125,346.35
Restricted Investments	448,780.97
Capital Assets:	
Nondepreciable Capital Assets	10,528,500.63
Depreciable Capital Assets, Net	134,585,194.15
TOTAL ASSETS	<u><u>\$ 195,755,010.42</u></u>
LIABILITIES	
Salaries and Benefits Payable	\$ 1,427,704.16
Payroll Deductions and Withholdings	1,014,804.25
Accounts Payable	138,945.39
Construction Contracts Payable	762,746.36
Construction Contracts Payable - Retainage	253,390.45
Deferred Revenue	33,341.01
Matured Bonds Payable	70,000.00
Matured Interest Payable	64,745.00
Long-Term Liabilities:	
Portion Due Within One Year	772,737.93
Portion Due After One Year	9,483,692.17
Total Liabilities	<u>14,022,106.72</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	138,775,113.78
Restricted for:	
State Categorical Programs	2,907,112.38
Debt Service	552,958.87
Capital Projects	34,894,033.11
Unrestricted	4,603,685.56
Total Net Assets	<u>181,732,903.70</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 195,755,010.42</u></u>

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

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets Governmental Activities
Governmental Activities:					
Instruction	\$ 48,512,033.36	\$ 33,454.00			\$ (48,478,579.36)
Pupil Personnel Services	3,807,743.77				(3,807,743.77)
Instructional Media Services	1,532,666.17				(1,532,666.17)
Instruction and Curriculum Development Services	2,581,717.10				(2,581,717.10)
Instructional Staff Training Services	708,553.55				(708,553.55)
Instruction Related Technology	790,152.15				(790,152.15)
Board of Education	461,736.44				(461,736.44)
General Administration	904,554.84				(904,554.84)
School Administration	5,269,133.18				(5,269,133.18)
Facilities Acquisition and Construction	1,052,216.44			2,528,122.74	1,475,906.30
Fiscal Services	524,103.15				(524,103.15)
Food Services	4,520,539.72	2,561,336.16	2,296,581.41		337,377.85
Central Services	508,498.92				(508,498.92)
Pupil Transportation Services	4,577,491.51	50,015.23	2,728,563.00		(1,798,913.28)
Operation of Plant	7,847,989.62				(7,847,989.62)
Maintenance of Plant	2,745,793.50			719,888.00	(2,025,905.50)
Administrative Technology Services	836,263.88				(836,263.88)
Community Services	328,901.73				(328,901.73)
Interest on Long-term Debt	254,328.05			312,231.87	57,903.82
Unallocated Depreciation Expense	6,096,161.91				(6,096,161.91)
Total Governmental Activities	\$ 93,860,578.99	\$ 2,644,805.39	\$ 5,025,144.41	\$ 3,560,242.61	(82,630,386.58)
General Revenues:					
Taxes:					
					48,299,419.76
					13,704,214.43
					30,100,468.91
					184,706.78
					668,465.29
Total General Revenues					92,957,275.17
Change in Net Assets					10,326,888.59
Net Assets - Beginning					171,406,015.11
Net Assets - Ending					\$ 181,732,903.70

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

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**NASSAU COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009**

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Capital Projects - Public Education Capital Outlay Fund
ASSETS			
Cash and Cash Equivalents	\$ 11,103,740.48	\$	\$ 1,463,775.98
Investments	31,792.19		
Accounts Receivable	27,703.11		
Due from Other Funds	201,265.23		
Due from Other Agencies	207,822.85	68,183.01	1,502,422.00
Inventories	844,456.32		
Restricted Investments			
TOTAL ASSETS	\$ 12,416,780.18	\$ 68,183.01	\$ 2,966,197.98
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 1,427,704.16	\$	\$
Payroll Deductions and Withholdings	1,014,804.25		
Accounts Payable	125,215.57	51.32	265.00
Construction Contracts Payable			271,541.03
Construction Contracts Payable - Retainage			
Due to Other Funds		68,131.69	
Deferred Revenue			
Matured Bonds Payable			
Matured Interest Payable			
Total Liabilities	2,567,723.98	68,183.01	271,806.03
Fund Balances:			
Reserved for State Categorical Programs	2,762,020.36		
Reserved for Encumbrances	402,051.48		1,387,465.00
Reserved for Inventories	844,456.32		
Reserved for Debt Service			
Unreserved, Reported in:			
General Fund	5,840,528.04		
Special Revenue Funds			
Capital Projects Funds			1,306,926.95
Total Fund Balances	9,849,056.20		2,694,391.95
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,416,780.18	\$ 68,183.01	\$ 2,966,197.98

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 26,853,442.21 403,568.51	\$ 5,257,316.02 218,015.01	\$ 1,420,652.87 65,712.74	\$ 46,098,927.56 719,088.45 27,703.11 201,265.23
29,604.95	158,842.08	322,352.29 87,785.70 448,780.97	2,289,227.18 932,242.02 448,780.97
<u>\$ 27,286,615.67</u>	<u>\$ 5,634,173.11</u>	<u>\$ 2,345,284.57</u>	<u>\$ 50,717,234.52</u>
\$	\$	\$	\$
124,485.95 253,390.45	366,719.38	13,413.50 133,133.54 33,341.01 70,000.00 64,745.00	1,427,704.16 1,014,804.25 138,945.39 762,746.36 253,390.45 201,265.23 33,341.01 70,000.00 64,745.00
<u>377,876.40</u>	<u>366,719.38</u>	<u>314,633.05</u>	<u>3,966,941.85</u>
1,630,117.67	17,697.34	68,595.24 87,785.70 552,958.87	2,762,020.36 3,505,926.73 932,242.02 552,958.87
<u>25,278,621.60</u>	<u>5,249,756.39</u>	<u>1,298,690.29</u> <u>22,621.42</u>	<u>5,840,528.04</u> <u>1,298,690.29</u> <u>31,857,926.36</u>
<u>26,908,739.27</u>	<u>5,267,453.73</u>	<u>2,030,651.52</u>	<u>46,750,292.67</u>
<u>\$ 27,286,615.67</u>	<u>\$ 5,634,173.11</u>	<u>\$ 2,345,284.57</u>	<u>\$ 50,717,234.52</u>

NASSAU COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Fund Balances - Governmental Funds \$ 46,750,292.67

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 governmental funds. 145,113,694.78

Capital credits are not available to liquidate liabilities in governmental funds, but are accrued in governmental activities in the statement of net assets. 125,346.35

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

Qualified Zone Academy Bonds Payable	\$ 1,428,581.00	
Bonds Payable	4,910,000.00	
Compensated Absences Payable	3,334,605.10	
Postemployment Healthcare Benefits Payable	583,244.00	(10,256,430.10)

Total Net Assets - Governmental Activities **\$ 181,732,903.70**

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

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**NASSAU COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009**

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Capital Projects - Public Education Capital Outlay Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 125,604.97	\$	\$
Federal Through State and Local State	261,645.22 27,760,680.94	68,183.01	2,080,641.00
Local:			
Property Taxes	48,299,419.76		
Impact Fees			
Charges for Services - Food Service			
Miscellaneous	705,489.62		(2,267.81)
Total Revenues	77,152,840.51	68,183.01	2,078,373.19
Expenditures			
Current - Education:			
Instruction	45,611,956.15	46,612.54	
Pupil Personnel Services	3,428,983.98		
Instructional Media Services	1,519,921.61		
Instruction and Curriculum Development Services	1,641,102.57	2,955.56	
Instructional Staff Training Services	428,202.68	2,256.05	
Instruction Related Technology	785,373.62		
Board of Education	459,990.30		
General Administration	780,220.96	477.42	
School Administration	5,220,152.52		
Facilities Acquisition and Construction			336,739.32
Fiscal Services	519,470.37		
Food Services			
Central Services	503,977.68		
Pupil Transportation Services	3,916,237.69	15,412.77	
Operation of Plant	7,814,709.33	468.67	
Maintenance of Plant	2,725,740.66		
Administrative Technology Services	831,289.77		
Community Services	230,255.89		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	40,083.09		14,967,201.81
Other Capital Outlay	256,228.26		115,826.85
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	76,713,897.13	68,183.01	15,419,767.98
Excess (Deficiency) of Revenues Over Expenditures	438,943.38		(13,341,394.79)
Other Financing Sources (Uses)			
Transfers In	730,242.00		
Proceeds from Sale of Capital Assets	39,665.99		
Insurance Loss Recoveries	65,239.00		
Transfers Out			
Total Other Financing Sources (Uses)	835,146.99		
Net Change in Fund Balances	1,274,090.37		(13,341,394.79)
Fund Balances, Beginning	8,574,965.83		16,035,786.74
Fund Balances, Ending	\$ 9,849,056.20	\$ 0.00	\$ 2,694,391.95

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		6,669,686.02	125,604.97
		628,802.12	6,999,514.25
13,704,214.43			30,470,124.06
	792,498.32		62,003,634.19
		2,561,336.16	792,498.32
115,724.33	(10,967.50)	69,477.07	2,561,336.16
<u>13,819,938.76</u>	<u>781,530.82</u>	<u>9,929,301.37</u>	<u>103,830,167.66</u>
		2,446,411.83	48,104,980.52
		347,551.81	3,776,535.79
			1,519,921.61
		916,164.66	2,560,222.79
		274,302.97	704,761.70
			785,373.62
			459,990.30
		118,462.95	899,161.33
		4,128.88	5,224,281.40
700,098.86		15,378.26	1,052,216.44
			519,470.37
		4,503,131.17	4,503,131.17
		319.30	504,296.98
		99,123.18	4,030,773.64
		572.83	7,815,750.83
			2,725,740.66
			831,289.77
		96,782.46	327,038.35
4,218,924.15	3,509,616.55	61,895.13	22,797,720.73
2,162,887.37		188,869.22	2,723,811.70
		265,000.00	265,000.00
		254,328.05	254,328.05
<u>7,081,910.38</u>	<u>3,509,616.55</u>	<u>9,592,422.70</u>	<u>112,385,797.75</u>
<u>6,738,028.38</u>	<u>(2,728,085.73)</u>	<u>336,878.67</u>	<u>(8,555,630.09)</u>
		81,224.25	811,466.25
			39,665.99
			65,239.00
(811,466.25)			(811,466.25)
<u>(811,466.25)</u>		<u>81,224.25</u>	<u>104,904.99</u>
5,926,562.13	(2,728,085.73)	418,102.92	(8,450,725.10)
20,982,177.14	7,995,539.46	1,612,548.60	55,201,017.77
<u>\$ 26,908,739.27</u>	<u>\$ 5,267,453.73</u>	<u>\$ 2,030,651.52</u>	<u>\$ 46,750,292.67</u>

**NASSAU 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, 2009**

Net Change in Fund Balances - Governmental Funds \$ (8,450,725.10)

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 capital outlays in excess of depreciation expense in the current period. 18,906,600.20

Capital assets donated to the District increase net assets in the government-wide financial statements, but are not financial resources and, therefore, are not reported in the governmental funds. This is the value of donated capital assets during the current period. 298,114.33

The undepreciated cost of capital assets disposed during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (54,485.13)

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 long-term debt that was repaid in the current period. 265,000.00

The District accrues capital credits to be received in future years in the statement of activities, but the revenue does not provide current financial resources and is not reported in the governmental funds.

Current Year Accruals	\$	125,346.35	
Less: Prior Year		(116,580.62)	
Net Increase in Capital Assets Receivable		8,765.73	

Postemployment healthcare benefits cost are recorded in the statement of activities under the full accrual method, but in the governmental funds when due. This is the net increase in the postemployment healthcare benefits liability for the current period. (583,244.00)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period. (63,137.44)

Change in Net Assets - Governmental Activities **\$ 10,326,888.59**

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

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2009**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 786,495.00
LIABILITIES	
Internal Accounts Payable	\$ 786,495.00

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

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

Criteria for determining if other entities are potential component units which 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 District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the District.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School District as a whole. These statements include the nonfiduciary financial activity of the District.

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.

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.

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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 – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Public Education Capital Outlay (PECO) Fund – to account for the financial resources received from the Public Education Capital Outlay and Debt Service Trust Fund pursuant to Section 9(a)(2), Article XII of the State Constitution, as amended. These funds are to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, maintenance, repairs, and site improvements.
- 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 and renovation and remodeling projects.
- Capital Projects – Other Capital Projects Fund – to account for the financial resources received from local impact fees and other miscellaneous sources to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

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 the 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.

The 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 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, postemployment healthcare benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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.

➤ **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents consist of a money market mutual fund and the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which, effective July 1, 2009, is known as Florida PRIME.

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

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

The District's investments in LGIP, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.51370946 at June 30, 2009. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within LGIP.

Investments made locally consist of a money market mutual fund and commercial paper and are reported at fair value. The District's money market mutual fund is a Securities and Exchange Commission Rule 2a7-like external investment pool whereby shares are owned in the fund rather than the underlying investments.

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the moving weighted average basis, except that United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

➤ **Restricted Assets**

Certain invested assets held by a trustee under a trust agreement, in the name of the District, in connection with a Qualified Zone Academy Bonds (QZAB) Program sinking fund are classified as

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

restricted assets on the statement of net assets because they are set aside for repayment of the QZAB debt at maturity as required by applicable debt covenants.

➤ **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 \$500. 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. The value of land acquired prior to December 30, 1973, is based on the Nassau County Property Appraiser’s appraised values at that time and, as a result, \$711,698.26 of stated land values are based on these appraised values.

Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	15 years
Buildings and Fixed Equipment	50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

➤ **Long-Term Liabilities**

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

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

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 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.

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

➤ **State Revenue Sources**

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

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

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

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

➤ **District Property Taxes**

The School 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 Nassau County Property Appraiser, and property taxes are collected by the Nassau County Tax Collector.

The School Board adopted the 2008 tax levy on September 23, 2008. 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 Nassau 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.

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

➤ **Educational Impact Fees**

Nassau County (County) imposes an educational impact fee based on Ordinance No. 2005-56 adopted by the County Commission in July 2005. The educational impact fee is collected for most new residential construction by the County and each municipality based on interlocal agreements. The fees shall be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential construction, and shall not be used for any expenditure that would be classified as an operating, maintenance, or repair expense. The authorized capital improvement costs include, but are not limited to, school sites, buildings, relocatable classrooms, building contents, nonbuilding improvements, and vehicles. Because the educational impact fee is similar to a capital-type special assessment, it is reported as program revenue in the government-wide financial statements.

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

3. INVESTMENTS

As of June 30, 2009, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Local Government Surplus Funds Trust		
Fund Investment Pool (LGIP) (1)	46 Day Average	\$ 5,641,718.43
Fund B Surplus Funds Trust Fund (Fund B)	6.87 Year Average	653,375.71
Debt Service Accounts	6 Months	65,712.74
Commercial Paper (2)	October 29, 2009	448,780.97
Dreyfus Cash Management Institutional Shares (1)	49 Day Average	<u>27,813,001.35</u>
Total Investments		<u>\$ 34,622,589.20</u>

Notes: (1) Investment considered cash equivalent for financial statement reporting purposes.

(2) This investment is held by a paying agent in connection with the Qualified Zone Academy Bonds financing arrangement. (See Note 6.)

Interest Rate Risk

- Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. 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.
- LGIP had a weighted average maturity (WAM) of 46 days at June 30, 2009. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Fund B had a weighted average life (WAL) of 6.87 years. A portfolio’s WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2009. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to SBA LGIP or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission 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 separate written formal investment policy.
- 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 SBA for managing credit risk for this account.

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JUNE 30, 2009**

- As of June 30, 2009, the District's investment in LGIP is rated AAAM by Standard & Poor's. Fund B is unrated.
- The District's investment in the Dreyfus Cash Management Institutional Shares is rated AAAM by Standard & Poor's and Aaa by Moody's Investors Service.
- The District's investment in commercial paper is authorized under a forward delivery agreement with the Qualified Zone Academy Bonds paying agent. The forward delivery agreement authorizes the investment of the available sinking fund amount in certain eligible securities, including United States Treasury securities, obligations issued by agencies of the United States Government, and short-term obligations issued by banks, corporations, or other borrowers having a rating at the time of delivery of at least P-1 by Moody's Investors Service or A-1 by Standard & Poor's Rating Service. The District's investment in commercial paper was rated P-1 by Moody's Investors Service.

Custodial Credit Risk

- 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.

Concentration of Credit Risk

- The District does not have a formal investment policy that limits the amount the District may invest in any one issuer. More than 5 percent of the District's investments, reported in the Other Governmental Funds, are in commercial paper issued by HSBC Financial Corporation. These investments are 87 percent of the District's total investments reported in this fund.

4. CAPITAL CREDITS

The District participates in the Okefenokee Rural Electric Membership Corporation, a nonprofit electric cooperative. Revenues in excess of operating expenses, unless otherwise determined by a vote of the membership, are distributed by the cooperative on a pro rata share basis to its members. Annually, the cooperative makes payments for designated prior years' capital credits. During the 2008-09 fiscal year, the District received \$1,767.81 related to the 1985 and 1986 capital credits. At June 30, 2009, the accumulated credits to the District's accounts were \$125,346.35.

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 3,913,001.28	\$ 214,227.54	\$	\$ 4,127,228.82
Construction in Progress	6,313,991.30	22,593,504.77	22,506,224.26	6,401,271.81
Total Capital Assets Not Being Depreciated	10,226,992.58	22,807,732.31	22,506,224.26	10,528,500.63
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	6,880,352.92	89,839.33		6,970,192.25
Buildings and Fixed Equipment	149,555,414.58	22,689,604.82		172,245,019.40
Furniture, Fixtures, and Equipment	19,027,700.80	1,317,007.60	1,123,054.05	19,221,654.35
Motor Vehicles	8,531,475.98	1,359,323.00	1,293,993.35	8,596,805.63
Audio Visual Materials and Computer Software	4,027,628.82	62,363.96		4,089,992.78
Total Capital Assets Being Depreciated	188,022,573.10	25,518,138.71	2,417,047.40	211,123,664.41
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	5,692,985.62	250,060.58		5,943,046.20
Buildings and Fixed Equipment	46,162,982.35	3,444,900.39		49,607,882.74
Furniture, Fixtures, and Equipment	10,607,003.57	2,265,340.36	1,068,568.92	11,803,775.01
Motor Vehicles	6,073,226.70	518,770.32	1,293,993.35	5,298,003.67
Audio Visual Materials and Computer Software	3,749,902.06	135,860.58		3,885,762.64
Total Accumulated Depreciation	72,286,100.30	6,614,932.23	2,362,562.27	76,538,470.26
Total Capital Assets Being Depreciated, Net	115,736,472.80	18,903,206.48	54,485.13	134,585,194.15
Governmental Activities Capital Assets, Net	\$ 125,963,465.38	\$ 41,710,938.79	\$ 22,560,709.39	\$ 145,113,694.78

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 518,770.32
Unallocated	6,096,161.91
Total Depreciation Expense - Governmental Activities	\$ 6,614,932.23

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

6. QUALIFIED ZONE ACADEMY BONDS PAYABLE

The District entered into a financing agreement dated October 1, 2003, under the Qualified Zone Academy Bonds (QZAB) Program. The QZAB Program provides no interest cost financing to purchase certain goods and services for schools located in eligible District areas (zones). The District received financing of \$1,428,581 from a local bank on October 8, 2003. Interest on the debt is “paid” by the United States Government through the issuance of Federal income tax credits to the holder of the QZAB debt (the bank). The rate of return to the bank was established by the United States Government at the time of the sale. Repayment of the original \$1,428,581 financing proceeds is due in full on October 8, 2017.

In connection with the financing, the District entered into a forward delivery agreement requiring annual deposits to a sinking fund of \$81,224.25 for 14 consecutive years beginning October 8, 2004. The forward delivery agreement provides a guaranteed investment return whereby the required deposits, along with the accrued interest, will be sufficient to repay the debt at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a custodial agreement until the debt matures.

The financing proceeds were designated for the following equipment and improvements: wireless communication system at one school; energy management systems at seven schools; heating, ventilation, and air conditioning upgrades at one school; and reroofing of various buildings at two schools.

7. BONDS PAYABLE

Bonds payable at June 30, 2009, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1999A	\$ 185,000	4.375 - 4.750	2019
Series 2005B, Refunding	2,120,000	5.0	2018
District Revenue Bonds:			
Series 2001	<u>2,605,000</u>	4.0 - 5.0	2031
Total Bonds Payable	<u>\$ 4,910,000</u>		

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

➤ **State School Bonds**

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

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

➤ **District Revenue Bonds**

These bonds were issued to refund the District Revenue Bonds, Series 1987A, and to finance costs of various capital improvements in the District. These bonds are authorized by Chapter 80-550, Laws of Florida, Special Acts of 1980, which provides that the bonds be secured by the portion of racetrack funds and jai alai fronton funds distributed annually to Nassau County from the State’s Pari-mutuel Wagering Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes). As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Total	Prinicipal	Interest
State School Bonds:			
2010	\$ 329,537.50	\$ 215,000.00	\$ 114,537.50
2011	323,943.75	220,000.00	103,943.75
2012	318,068.75	225,000.00	93,068.75
2013	321,918.75	240,000.00	81,918.75
2014	319,993.75	250,000.00	69,993.75
2015-2019	1,305,612.50	1,155,000.00	150,612.50
Total State School Bonds	2,919,075.00	2,305,000.00	614,075.00
District Revenue Bonds:			
2010	196,777.50	70,000.00	126,777.50
2011	198,977.50	75,000.00	123,977.50
2012	195,902.50	75,000.00	120,902.50
2013	197,715.00	80,000.00	117,715.00
2014	199,215.00	85,000.00	114,215.00
2015-2019	984,120.00	475,000.00	509,120.00
2020-2024	988,500.00	610,000.00	378,500.00
2025-2029	989,500.00	780,000.00	209,500.00
2030-2031	381,500.00	355,000.00	26,500.00
Total District Revenue Bonds	4,332,207.50	2,605,000.00	1,727,207.50
Total	\$ 7,251,282.50	\$ 4,910,000.00	\$ 2,341,282.50

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

8. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
GOVERNMENTAL ACTIVITIES					
Qualified Zone Academy Bonds Payable	\$ 1,428,581.00	\$	\$	\$ 1,428,581.00	\$
Bonds Payable	5,175,000.00		265,000.00	4,910,000.00	285,000.00
Compensated Absences Payable	3,271,467.66	550,875.37	487,737.93	3,334,605.10	487,737.93
Postemployment Healthcare Benefits Payable		583,244.00		583,244.00	
Total Governmental Activities	\$ 9,875,048.66	\$ 1,134,119.37	\$ 752,737.93	\$ 10,256,430.10	\$ 772,737.93

For the governmental activities, compensated absences and postemployment healthcare 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	Payables
Major:		
General	\$ 201,265.23	\$
Special Revenue:		
ARRA Economic Stimulus		68,131.69
Nonmajor Governmental		133,133.54
Total	\$ 201,265.23	\$ 201,265.23

Interfund balances generally arise due to expenditures being adjusted between funds. The interfund amounts represent temporary loans from one fund to another and are expected to be repaid within one year.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 730,242.00	\$
Capital Projects:		
Local Capital Improvement		811,466.25
Nonmajor Governmental	81,224.25	
Total	\$ 811,466.25	\$ 811,466.25

Interfund transfers represent permanent transfers of moneys between funds. The transfers out of the Capital Projects - Local Capital Improvement Fund were to reimburse property insurance expenditures to

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

the General Fund and to provide Qualified Zone Academy Bonds sinking fund payments to a Nonmajor Governmental Fund (See Note 6).

10. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

Because revenues of grants accounted for in the Special Revenue – ARRA Economic Stimulus Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – ARRA Economic Stimulus Fund total \$112,181.10 at June 30, 2009.

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue for the 2008-09 fiscal year:

Source	Amount
Categorical Educational Programs:	
Class Size Reduction	\$ 11,149,141.00
Transportation	2,728,563.00
Instructional Materials	1,060,473.00
School Recognition	853,947.00
Excellent Teaching	339,573.24
Other	179,982.30
Florida Education Finance Program	10,507,729.00
Gross Receipts Tax (Public Education Capital Outlay)	2,080,641.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	384,919.53
Discretionary Lottery Funds	268,661.00
Workforce Development Program	197,294.00
Food Service Supplement	53,748.00
Mobile Home License Tax	53,729.59
Miscellaneous	611,722.40
	611,722.40
Total	\$ 30,470,124.06

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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12. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2008 tax roll for the 2008-09 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.241	\$ 45,321,728
Basic Discretionary Local Effort	0.498	4,306,472
Supplemental Discretionary Local Effort	0.136	1,176,065
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.667</u>	<u>14,415,440</u>
Total	<u><u>7.542</u></u>	<u><u>\$65,219,705</u></u>

13. FLORIDA RETIREMENT SYSTEM

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

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

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

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As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 147 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$477,888.41.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2008-09 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Teacher's Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

- Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of PEORP.
(B) Contribution rates are dependent upon retirement class or plan 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, 2007, June 30, 2008, and June 30, 2009, totaled \$4,831,248.18, \$5,076,815.12, and \$4,860,597.38, respectively, which were equal to the required contributions for each fiscal year.

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

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14. POSTEMPLOYMENT HEALTHCARE BENEFITS

Effective for the 2008-09 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided by the District. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$12,460,837 at the July 1, 2008, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment healthcare benefits liability at the date of transition.

Plan Description. The Postemployment Healthcare Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's health plan for medical and prescription drug coverages. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are not required to enroll in the Federal Medicare program in order to remain covered under the program; however, since membership in Medicare Part A is automatic, the plan pays as secondary for all eligible retirees, and for eligible retirees that enroll in Medicare Part B. The Postemployment Healthcare Benefits 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. For the Postemployment Healthcare Benefits Plan, contribution requirements of the District and plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 90 retirees received postemployment healthcare benefits. The District provided required contributions of \$438,098 toward the annual OPEB cost. Plan members receiving benefits contributed \$704,415 through their required contributions ranging from \$520 to \$620 per month for retiree-only coverage, and from \$1,046 to \$1,223 for retiree and spouse coverage, depending on the health plan selected.

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

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Description	Amount
Normal Cost (service cost for one year)	\$ 614,647
Amortization of Unfunded Actuarial Accrued Liability	382,125
Interest on Normal Cost and Amortization	24,570
Annual Required Contribution	1,021,342
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	
Annual OPEB Cost (Expense)	1,021,342
Contribution Toward the OPEB Cost	(438,098)
Increase in Net OPEB Obligation	583,244
Net OPEB Obligation, Beginning of Year	
Net OPEB Obligation, End of Year	\$ 583,244

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009 (year of implementation), was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 07-01-08	\$ 0	0%	\$ 0
2008-09	1,021,342	42.9%	583,244

Funded Status and Funding Progress. As of October 1, 2007, the most recent valuation date, the actuarial accrued liability for benefits was \$12,460,837, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$12,460,837 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$35,285,901 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 35.3 percent.

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

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

The District’s initial OPEB actuarial valuation as of October 1, 2007, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and the District’s 2008-09 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.3 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4.0 percent per year, and an annual healthcare cost trend rate of 9.0 percent initially beginning October 1, 2008, declining to an ultimate rate of 5.0 percent beginning October 1, 2017. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 29 years.

15. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
Callahan Middle School Classroom Additions and Media Center:			
Architect	\$ 624,710.18	\$ 498,310.72	\$ 126,399.46
Contractor and Direct Materials	7,163,759.36	6,033,997.47	1,129,761.89
Emma Love Hardee Elementary School Media Center:			
Architect	407,000.00	99,000.00	308,000.00
Southside Elementary School - Food Service Facility:			
Architect	525,000.00	133,560.00	391,440.00
Total	\$ 8,720,469.54	\$ 6,764,868.19	\$ 1,955,601.35

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 Nassau County District School Board is a member of the North East Florida Educational Consortium, under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified

**NASSAU COUNTY
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amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Putnam County District School Board serves as fiscal agent for the Consortium.

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

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

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2009**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 125,000.00	\$ 125,000.00	\$ 125,604.97	\$ 604.97
Federal Through State and Local State	10,000.00	35,962.00	261,645.22	225,683.22
	30,192,383.00	28,036,639.57	27,760,680.94	(275,958.63)
Local:				
Property Taxes	48,264,051.00	48,186,671.00	48,299,419.76	112,748.76
Miscellaneous	684,533.67	837,623.61	705,489.62	(132,133.99)
Total Revenues	79,275,967.67	77,221,896.18	77,152,840.51	(69,055.67)
Expenditures				
Current - Education:				
Instruction	48,378,635.41	48,392,785.66	45,611,956.15	2,780,829.51
Pupil Personnel Services	3,386,890.35	3,519,085.62	3,428,983.98	90,101.64
Instructional Media Services	1,598,050.05	1,591,607.47	1,519,921.61	71,685.86
Instruction and Curriculum Development Services	2,530,986.62	1,894,628.16	1,641,102.57	253,525.59
Instructional Staff Training Services	377,679.16	510,371.46	428,202.68	82,168.78
Instruction Related Technology	1,027,086.48	795,971.46	785,373.62	10,597.84
Board of Education	461,882.31	548,354.31	459,990.30	88,364.01
General Administration	1,131,372.76	857,267.62	780,220.96	77,046.66
School Administration	5,314,143.46	5,408,755.99	5,220,152.52	188,603.47
Facilities Acquisition and Construction	29,000.00			
Fiscal Services	522,138.45	526,096.45	519,470.37	6,626.08
Central Services	545,491.51	588,539.76	503,977.68	84,562.08
Pupil Transportation Services	4,050,441.67	4,202,586.21	3,916,237.69	286,348.52
Operation of Plant	8,274,616.26	8,372,438.61	7,814,709.33	557,729.28
Maintenance of Plant	3,548,207.58	3,422,286.84	2,725,740.66	696,546.18
Administrative Technology Services	878,506.12	862,896.58	831,289.77	31,606.81
Community Services	60,908.07	287,789.90	230,255.89	57,534.01
Fixed Capital Outlay:				
Facilities Acquisition and Construction		40,083.09	40,083.09	
Other Capital Outlay		467,085.02	256,228.26	210,856.76
Total Expenditures	82,116,036.26	82,288,630.21	76,713,897.13	5,574,733.08
Excess (Deficiency) of Revenues Over Expenditures	(2,840,068.59)	(5,066,734.03)	438,943.38	5,505,677.41
Other Financing Sources				
Transfers In		730,242.00	730,242.00	
Proceeds from Sale of Capital Assets			39,665.99	39,665.99
Insurance Loss Recoveries		31,410.44	65,239.00	33,828.56
Total Other Financing Sources		761,652.44	835,146.99	73,494.55
Net Change in Fund Balances	(2,840,068.59)	(4,305,081.59)	1,274,090.37	5,579,171.96
Fund Balances, Beginning	8,574,965.83	8,574,965.83	8,574,965.83	
Fund Balances, Ending	\$ 5,734,897.24	\$ 4,269,884.24	\$ 9,849,056.20	\$ 5,579,171.96

Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$	\$ 1,684,216.00	\$ 68,183.01	\$ (1,616,032.99)
	<u>1,684,216.00</u>	<u>68,183.01</u>	<u>(1,616,032.99)</u>
	665,690.91	46,612.54	619,078.37
	175,800.00		175,800.00
	344,050.53	2,955.56	341,094.97
	394,849.56	2,256.05	392,593.51
	64,932.00	477.42	64,454.58
	37,893.00	15,412.77	22,480.23
	1,000.00	468.67	531.33
	<u>1,684,216.00</u>	<u>68,183.01</u>	<u>1,616,032.99</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -
POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN
For the Fiscal Year Ended June 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age Normal Cost	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
October 1, 2007	\$ 0	\$ 12,460,837	\$ 12,460,837	0.0%	\$ 35,285,901	35.3%

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009**

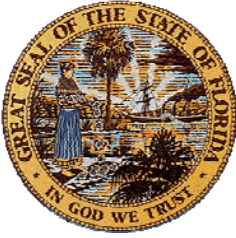
Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 462,905.78
National School Lunch Program	10.555	300	1,553,260.63
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)(A)	None	226,667.00
Total United States Department of Agriculture			2,242,833.41
United States Department of Labor:			
Indirect:			
First Coast Workforce Development, Inc.:			
WIA Youth Activities	17.259	FCWD 2008-08; FCWD 2009-08	127,507.91
ARRA - WIA Youth Activities, Recovery Act	17.259	FCWD 2009-08	21,229.13
Total United States Department of Labor			148,737.04
United States Department of Education:			
Indirect:			
Florida Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	1,179,011.31
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212	15,677.50
Total Title I, Part A Cluster			1,194,688.81
Special Education Cluster:			
Special Education - Grants to States	84.027	263	2,127,816.70
Special Education - Preschool Grants	84.173	267	56,565.54
ARRA - Special Education Grants to States, Recovery Act	84.391	263	31,276.38
Total Special Education Cluster			2,215,658.62
Adult Education - Basic Grants to States	84.002	191	129,643.39
Career and Technical Education - Basic Grants to States	84.048	151	146,678.79
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	33,053.06
Education Technology State Grants	84.318	121	16,712.18
English Language Acquisition Grants	84.365	102	16,914.36
Improving Teacher Quality State Grants	84.367	224	410,634.99
Florida State College at Jacksonville:			
Career and Technical Education - Basic Grants to States	84.048	247971	16,312.11
Duval County District School Board:			
Tech-Prep Education	84.243	1621578A8CT01	9,030.58
Putnam County District School Board:			
Reading First State Grants	84.357	8308, 8309	44,997.32
Total United States Department of Education			4,234,324.21
United States Department of Health and Human Services:			
Indirect:			
Florida Department of Health:			
Assistance Programs for Chronic Disease Prevention and Control	93.945	DOH-FA07004	111,974.37
United States Department of Homeland Security			
Indirect:			
Florida Division of Emergency Management:			
Hazard Mitigation Grant	97.039 (2)(B)	FEMA 1551-23-F	301,907.89
United States Department of Defense:			
Direct:			
Navy Junior Reserve Officers Training Corps	None	N/A	62,089.51
Air Force Junior Reserve Officers Training Corps	None	N/A	63,515.46
Total United States Department of Defense			125,604.97
Total Expenditures of Federal Awards			\$ 7,165,381.89

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2008-09 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance.

(A) National School Lunch Program. Represents the amount of donated food received during the 2008-09 fiscal year. Commodities are valued at fair value as determined at the time of donation.

(B) Hazard Mitigation Grant. Expenditures include the donation of a Federally-paid emergency shelter generator with a cost of \$273,219.89. The remaining expenditures were for installation costs of \$28,688 paid from Federal grant funds.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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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 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 Nassau County District School Board as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds, as described in our report on the Nassau 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 *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 which are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

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

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

Respectfully submitted,



David W. Martin, CPA

December 23, 2009



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 APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Compliance

We have audited the Nassau County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2009. 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 the District's 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 the OMB's *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 requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

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

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

Respectfully submitted,



David W. Martin, CPA
December 23, 2009

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 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 material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB <i>Circular A-133</i> ?	No
Identification of major programs:	WIA Youth Activities (CFDA No. 17.259); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389); Special Education Cluster (CFDA Nos. 84.027, 84.173, and 84.391); Improving Teacher Quality State Grants (CFDA No. 84.367); and Hazard Mitigation Grant (CFDA No. 97.039)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**NASSAU COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

ADDITIONAL MATTERS

Finding No. 1: Information Technology – Access Privileges

Proper restriction of access to authorized employees permits access to application and systems software processing functions solely for purposes of performing assigned duties and precludes unauthorized employees from gaining access.

As similarly noted in our report No. 2009-063, our audit disclosed 12 employees within the Office of Information and School Technology Services that were granted access within the domain administrator group used to administer the District's network. Domain administrator access privileges are typically limited to personnel who are responsible for performing network administration duties and who require complete access to network and server resources. In response to audit inquiry, District management stated that membership in the domain administrator group was granted to accommodate various network management responsibilities. Nevertheless, the complete network access capabilities provided by the group suggested a need for the District to review the responsibilities of each employee in the group and determine if additional access groups with more limited network access capabilities would be warranted. When complete network access privileges are unnecessarily granted, the risk is increased that unauthorized network hardware, software, or configuration changes may occur and not be timely detected as a result of the misuse of domain administrator access privileges.

Recommendation: The District should continue to critically evaluate employee access privileges in conjunction with assigned duties to ensure that privileges and assignments are appropriate for the respective employee's position. Absent the ability to further restrict access, good business practices dictate that management implement alternate procedures to mitigate the risk.

Finding No. 2: Information Technology – Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and information technology (IT) resources. Our audit disclosed certain District user authentication controls that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District staff of the specific issues. Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction. A similar finding was noted in our report No. 2009-063.

Recommendation: The District should improve its user authentication controls to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2009-063.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*NASSAU COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009*

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
2008-082 (2)	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555) - Activities Allowed or Unallowed	The District expended program funds, totaling \$26,860, that were not for the operation or improvement of the program.	Corrected.	Questioned costs were restored to the program.
2009-063 (1)	Special Education Cluster (CFDA No. 84.173) - Activities Allowed or Unallowed	Contrary to the grantor's procedures, the District purchased playground equipment costing \$13,987.31, using Special Education program moneys, without obtaining approval from the Florida Department of Education.	Corrected.	Questioned costs were restored to the program.
(2)	Special Education Cluster (CFDA No. 84.027) - Allowable Costs/Cost Principles - Documentation of Time and Effort	Enhancements were needed in District procedures for documenting salaries and benefits charged to the Special Education program.	Corrected.	
(3)	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555) and Special Education Cluster (CFDA Nos. 84.027 and 84.173) - Suspension and Debarment	Improvements were needed in District procedures for ensuring contractors and subcontractors have not been suspended or debarred.	Corrected.	

EXHIBIT A
MANAGEMENT'S RESPONSE



The Nassau County School District

1201 Atlantic Avenue
Fernandina Beach, Florida 32034

John L. Ruis, Ed.D.
Superintendent of Schools

(904) 491-9900
Fax (904) 277-9032
www.nassau.k12.fl.us

November 30, 2009

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

Dear Mr. Martin:

The following is our response to the findings of our audit for the fiscal year ended June 30, 2009.

Under Additional Matters:

Finding No. 1: We have determined an alternate method for assigning network responsibilities for 10 of the 12 employees who currently have Domain Administrator Group permissions. This change should be in effect by 12/19/2009, if not sooner.

Finding No. 2: A survey has been sent out to the Technology Contacts at each school asking what an appropriate amount of time would be for the screen saver lockout on all computers. This is currently set at a time determined to be too long. Depending on the responses from the schools an abbreviated time will be enabled on the lockout time. This change should also be in effect by 12/19/2009, if not sooner.

Sincerely,

John L. Ruis, Ed.D.
Superintendent of Schools

Our mission is to develop each student as an inspired life-long learner and problem-solver with the strength of character to serve as a productive member of society.

AN EQUAL OPPORTUNITY EMPLOYER