

**SUWANNEE COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2009



BOARD MEMBERS AND SUPERINTENDENTS

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

	<u>District No.</u>
Jerry L. Taylor, Chair from 11-18-08	1
Muriel S. Owens, Vice Chair to 11-17-08	2
Julie B. Ulmer, Chair to 11-17-08	3
James Cooper	4
J. M. Holtzclaw, Vice Chair from 11-18-08	5
Walter Boatright, Jr., Superintendent to 11-17-08	
Jerry A. Scarborough, Superintendent from 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 Glenda K. Hart, CPA, and the audit was supervised by Cathy L. Bandy, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

SUWANNEE 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

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

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.

SIGNIFICANT DEFICIENCY:

Finding No. 1: District procedures could be improved for reporting information on the Schedule of Expenditures of Federal Awards.

ADDITIONAL MATTERS:

Finding No. 2: Enhancements could be made in the administration of guaranteed maximum price construction contracts.

Finding No. 3: The District used capital outlay millage levy proceeds, totaling \$58,707.85, for the purchase of software and other items, which were not specifically provided for in Section 1011.71, Florida Statutes.

Finding No. 4: The District lacked written policies and procedures for certain information technology functions.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster; Title I, Part A Cluster; Education Technology; and the Twenty-First Century 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. However, we did note compliance findings as summarized below.

Federal Awards Finding No. 1: The District paid \$13,950 from Title I and School Improvement funds for a feasibility study, without prior approval by the grantor, resulting in questioned costs.

Federal Awards Finding No. 2: The District did not have the necessary controls in place to verify that, for certain Federal transactions, vendors were not suspended or debarred.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;

- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2009-119.

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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AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Suwannee County District School Board, as of and for the fiscal year ended June 30, 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 43 percent of the assets and 99 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Suwannee Foundation for Excellence in Education, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Suwannee 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 Suwannee County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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
January 5, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Suwannee County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 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 39.

FINANCIAL HIGHLIGHTS

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

- In total, net assets increased \$4,927,286, which represents a 10.1 percent increase from the 2007-08 fiscal year.
- General revenues totaled \$46,779,692, or 84 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled \$8,894,706, or 16 percent.
- Expenses totaled \$50,747,112; only \$8,894,706 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$4,927,286.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$4,644,545 at June 30, 2009, or 11.5 percent of total General Fund revenues and 12.1 percent of total General Fund expenditures. However, of the unreserved fund balance, portions have been designated by the District for specific purposes. These designations include \$800,000 for a 4 percent state holdback and \$1,800,000 for the anticipated loss of State Fiscal Stabilization Funds from the American Reinvestment and Recovery Act in 2011. The undesignated portion of the unreserved fund balance amounts to 5.1 percent of General Fund revenues and 5.3 percent of General Fund expenditures.
- The District's total debt decreased by \$291,993, or 7.1 percent.

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 primary government 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 activities in two categories:

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 2009, compared to net assets as of June 30, 2008:

	Net Assets, End of Year	
	Governmental	
	Activities	
	6-30-09	6-30-08
Current and Other Assets	\$ 11,104,058	\$ 9,430,700
Capital Assets	51,438,138	51,199,527
Total Assets	62,542,196	60,630,227
Long-Term Liabilities	7,667,361	7,366,676
Other Liabilities	1,336,927	4,652,929
Total Liabilities	9,004,288	12,019,605
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	47,638,580	47,107,977
Restricted	4,305,321	1,577,316
Unrestricted (Deficit)	1,594,007	(74,671)
Total Net Assets	\$ 53,537,908	\$ 48,610,622

The largest portion of the District’s net assets (89 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 (8 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:

	Operating Results for the Year	
	Governmental Activities	
	6-30-09	6-30-08
Program Revenues:		
Charges for Services	\$ 1,149,595	\$ 1,156,058
Operating Grants and Contributions	3,644,511	3,310,408
Capital Grants and Contributions	4,100,600	723,146
General Revenues:		
Property Taxes, Levied for Operational Purposes	10,791,136	9,587,464
Property Taxes, Levied for Capital Projects	3,115,804	3,438,188
Grants and Contributions Not Restricted to Specific Programs	31,811,243	34,590,452
Unrestricted Investment Earnings	107,226	262,948
Miscellaneous	954,283	988,966
Total Revenues	55,674,398	54,057,630
Functions/Program Expenses:		
Instruction	26,493,254	28,392,373
Pupil Personnel Services	1,785,531	1,912,799
Instructional Media Services	713,996	738,039
Instruction and Curriculum Development Services	837,764	773,504
Instructional Staff Training	1,555,305	1,361,535
Instruction Related Technology	104,259	105,654
Board of Education	347,205	251,624
General Administration	753,192	897,211
School Administration	2,966,021	2,891,322
Facilities Acquisition and Construction	501,995	685,241
Fiscal Services	476,709	457,885
Food Services	2,603,921	2,500,377
Central Services	471,297	579,479
Pupil Transportation Services	2,936,853	3,041,649
Operation of Plant	3,036,428	3,160,978
Maintenance of Plant	1,644,800	1,588,712
Administrative Technology Services	162,434	139,819
Community Services	47,460	47,998
Interest on Long-Term Debt	127,192	108,633
Unallocated Depreciation Expense	3,159,223	3,089,162
Loss on Disposal of Capital Assets	22,273	23,084
Total Functions/Program Expenses	50,747,112	52,747,078
Increase in Net Assets	\$ 4,927,286	\$ 1,310,552

The largest revenue source is the State of Florida (57.6 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District’s funding ability based on the local property tax base.

Capital grants and contributions increased \$3.4 million over the prior year due mainly to a Classrooms for Kids revenue appropriation in the amount of \$2.1 million and a \$0.9 million increase in Public Education Capital Outlay

revenue. Grants and contributions not restricted to specific programs decreased by \$2.8 million due mainly to a decrease in FEFP funding of \$2.7 million.

Instructional expenses represent 52.2 percent of total governmental expenses in the 2008-09 fiscal year. Instructional expenses decreased by \$1,899,119, or 6.7 percent, from the previous year due mainly to vacant instructional and school-related positions not being filled in anticipation of the State's general revenue shortfall, which would eventually filter into a holdback or revenue reduction for school funding.

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 \$4,644,545, while the total fund balance is \$5,752,410. The unreserved fund balance increased by \$2,339,474, while the total fund balance increased by \$2,128,239 during the fiscal year. Key factors in this growth are as follows:

- Total expenditures decreased by \$3,420,138, or 8.2 percent, due mainly to the vacant instructional and school-related vacancies not being filled.
- An increase in the local property values increased tax revenues by \$1,203,672.
- Adherence to strict budgetary controls was the primary focus for the District in anticipation of multiple revenue reductions. Emphasis was placed upon cost saving and cost cutting measures.

The Capital Projects – Public Education Capital Outlay Fund and Capital Projects - Local Capital Improvement Fund have total fund balances of \$1,234,199 and \$1,912,510, respectively, all of which is restricted for the acquisition, construction, and maintenance of capital assets. Fund balance increases in these funds were due to funds being held to pay for the completion of the Suwannee Middle School Classroom Addition project.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2008-09 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in budgeted revenues amounting to \$107,112, or 0.3 percent. At the same time, final appropriations are more than the original budgeted amounts by \$553,966, or 1.3 percent.

Actual revenues differ from the final budgeted amounts by \$524,848, while actual expenditures are \$5,091,085, or 11.7 percent, less than final budget amounts. Steps taken by the District to address reducing expenditures included the elimination of key administrative staff positions; the consolidation of district level departments; a cutoff of all nonessential expenditures; continued adherence to strict budgetary controls; and conducting internal audits of utility services, such as telephone and electricity usage. Additionally, the District budgeted a 15 percent increase in utility costs, based upon projections provided by its energy provider. However, the District did not experience this increase in utility expense, and the savings were retained in the General Fund. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$5,615,933.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$51,438,138 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; construction in progress; and audio visual materials and computer software.

Major capital asset events during the current fiscal year included the beginning of the construction of a ten classroom addition at Suwannee Middle School. This project was completed subsequent to June 30, 2009, and the associated expenditures are reported in construction in progress.

Additional information on the District's capital assets can be found in Notes 4 and 17 to the financial statements.

Long-Term Debt

At June 30, 2009, the District has total long-term debt outstanding of \$3,799,558. This amount is comprised of obligations under a capital lease totaling \$159,283, a note payable totaling \$256,000, \$1,275,000 of bonds payable, and \$2,109,275 of certificates of participation payable.

Additional information on the District's long-term debt can be found in Notes 6 through 10 to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Suwannee County District School Board's finances. Questions concerning information provided in the MD&A, financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Suwannee County District School Board, 702 2nd Street, N.W., Live Oak, FL 32064.

BASIC FINANCIAL STATEMENTS

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Cash	\$ 10,209,530.97	\$ 5,248.00
Investments	36,881.14	
Accounts Receivable	123,001.69	7,019.00
Due from Other Agencies	256,167.69	
Inventories	345,196.28	
Restricted Investments	133,280.55	
Capital Assets:		
Nondepreciable Capital Assets	3,763,193.66	
Depreciable Capital Assets, Net	47,674,944.28	
TOTAL ASSETS	<u>\$ 62,542,196.26</u>	<u>\$ 12,267.00</u>
LIABILITIES		
Salaries and Benefits Payable	\$ 102,403.36	\$
Payroll Deductions and Withholdings	480,135.44	
Accounts Payable	263,234.30	12,938.00
Construction Contracts Payable	319,630.00	
Construction Contracts Payable - Retainage	148,740.00	
Deposits Payable	22,784.66	
Long-Term Liabilities:		
Portion Due Within One Year	1,239,343.87	
Portion Due After One Year	6,428,016.66	
Total Liabilities	<u>9,004,288.29</u>	<u>12,938.00</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	47,638,580.28	
Restricted for:		
Debt Service	170,161.69	
Capital Projects	3,477,780.83	
Fuel Tax Rebate	189,044.08	
Other Purposes	468,334.41	
Unrestricted	1,594,006.68	(671.00)
Total Net Assets	<u>53,537,907.97</u>	<u>(671.00)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 62,542,196.26</u>	<u>\$ 12,267.00</u>

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 26,493,254.10	\$ 292,880.64	\$	\$
Pupil Personnel Services	1,785,530.74			
Instructional Media Services	713,995.81			
Instruction and Curriculum Development Services	837,763.79			
Instructional Staff Training Services	1,555,305.07			
Instruction Related Technology	104,259.13			
Board of Education	347,204.64			
General Administration	753,192.12			
School Administration	2,966,021.22			
Facilities Acquisition and Construction	501,995.03			2,476,487.87
Fiscal Services	476,708.42			
Food Services	2,603,921.29	776,994.87	2,049,506.53	
Central Services	471,297.38			
Pupil Transportation Services	2,936,853.04	79,719.57	1,595,004.00	
Operation of Plant	3,036,427.60			
Maintenance of Plant	1,644,800.40			1,444,120.00
Administrative Technology Services	162,434.26			
Community Services	47,460.14			
Interest on Long-Term Debt	127,192.05			179,992.46
Unallocated Depreciation Expense	3,159,223.11			
Loss on Disposal of Capital Assets	22,272.44			
Total Primary Government	\$ 50,747,111.78	\$ 1,149,595.08	\$ 3,644,510.53	\$ 4,100,600.33
Component Unit				
Suwannee Foundation for Excellence in Education, Inc.	\$ 83,161.00	\$ 0.00	\$ 57,058.00	\$ 0.00

General Revenues:
 Taxes:
 Property Taxes, Levied for Operational Purposes
 Property Taxes, Levied for Capital Projects
 Grants and Contributions Not Restricted to Specific Programs
 Unrestricted Investment Earnings
 Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	Component
Governmental	Unit
Activities	
\$ (26,200,373.46)	\$
(1,785,530.74)	
(713,995.81)	
(837,763.79)	
(1,555,305.07)	
(104,259.13)	
(347,204.64)	
(753,192.12)	
(2,966,021.22)	
1,974,492.84	
(476,708.42)	
222,580.11	
(471,297.38)	
(1,262,129.47)	
(3,036,427.60)	
(200,680.40)	
(162,434.26)	
(47,460.14)	
52,800.41	
(3,159,223.11)	
(22,272.44)	
<u>(41,852,405.84)</u>	
	<u>(26,103.00)</u>
10,791,135.71	
3,115,803.75	
31,811,243.20	19,332.00
107,226.20	
954,282.73	
<u>46,779,691.59</u>	<u>19,332.00</u>
4,927,285.75	(6,771.00)
<u>48,610,622.22</u>	<u>6,100.00</u>
<u>\$ 53,537,907.97</u>	<u>\$ (671.00)</u>

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

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
ASSETS			
Cash	\$ 5,919,468.91	\$ 33,463.77	\$
Investments			
Accounts Receivable	123,001.69		
Due from Other Funds	29,898.61	732.92	
Due from Other Agencies	117,993.45	95,989.78	2,385.92
Restricted Investments			
Inventories	259,073.07		
TOTAL ASSETS	\$ 6,449,435.73	\$ 130,186.47	\$ 2,385.92
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 21,857.62	\$ 75,252.74	\$ 1,653.00
Payroll Deductions and Withholdings	480,135.44		
Accounts Payable	172,248.29	27,345.95	
Construction Contracts Payable			
Construction Contracts Payable - Retainage			
Due to Other Funds		27,587.78	732.92
Deposits Payable	22,784.66		
Total Liabilities	697,026.01	130,186.47	2,385.92
Fund Balances:			
Reserved for Encumbrances	191,413.54		
Reserved for Inventories	259,073.07		
Reserved for Fuel Tax Rebate	189,044.08		
Reserved for Debt Service			
Reserved for Other Purposes	468,334.41		
Unreserved:			
Designated, Reported in General Fund:			
Designated for Four Percent State Holdback	800,000.00		
Designated for Anticipated Loss in 2011 of ARRA	1,800,000.00		
Undesignated, Reported in:			
General Fund	2,044,544.62		
Special Revenue Funds			
Capital Projects Funds			
Total Fund Balances	5,752,409.72		
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,449,435.73	\$ 130,186.47	\$ 2,385.92

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

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 2,061,972.80	\$ 1,912,648.79	\$ 281,976.70	\$ 10,209,530.97
		36,881.14	36,881.14
			123,001.69
		299,719.38	330,350.91
	1,853.79	37,944.75	256,167.69
		133,280.55	133,280.55
		86,123.21	345,196.28
<u>\$ 2,061,972.80</u>	<u>\$ 1,914,502.58</u>	<u>\$ 875,925.73</u>	<u>\$ 11,434,409.23</u>
\$	\$	\$ 3,640.00	\$ 102,403.36
59,684.07	413.33	3,542.66	480,135.44
319,630.00			263,234.30
148,740.00			319,630.00
299,719.38	1,578.81	732.02	148,740.00
			330,350.91
			22,784.66
<u>827,773.45</u>	<u>1,992.14</u>	<u>7,914.68</u>	<u>1,667,278.67</u>
743,487.02	387,582.30	10,939.43	1,333,422.29
		86,123.21	345,196.28
		170,161.69	189,044.08
			170,161.69
			468,334.41
			800,000.00
			1,800,000.00
			2,044,544.62
		278,043.78	278,043.78
490,712.33	1,524,928.14	322,742.94	2,338,383.41
<u>1,234,199.35</u>	<u>1,912,510.44</u>	<u>868,011.05</u>	<u>9,767,130.56</u>
<u>\$ 2,061,972.80</u>	<u>\$ 1,914,502.58</u>	<u>\$ 875,925.73</u>	<u>\$ 11,434,409.23</u>

**SUWANNEE 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 \$ 9,767,130.56

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 51,438,137.94

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

Obligation Under Capital Lease	\$ 159,282.66	
Note Payable	256,000.00	
Bonds Payable	1,275,000.00	
Certificates of Participation Payable	2,109,275.00	
Compensated Absences Payable	3,254,222.87	
Other Postemployment Benefits Payable	613,580.00	(7,667,360.53)
	613,580.00	(7,667,360.53)

Total Net Assets - Governmental Activities \$ 53,537,907.97

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

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

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 55,320.47	\$ 281,141.50	\$
Federal Through State and Local State	405,788.69	5,028,845.59	3,975.72
State	28,094,776.09		
Local:			
Taxes	10,791,135.71		
Charges for Services - Food Service			
Miscellaneous	985,142.05		
Total Revenues	40,332,163.01	5,309,987.09	3,975.72
Expenditures			
Current - Education:			
Instruction	22,862,347.29	3,264,977.42	
Pupil Personnel Services	1,332,792.37	424,545.37	
Instructional Media Services	695,601.92	8,557.89	
Instruction and Curriculum Development Services	563,011.28	257,672.92	3,956.59
Instructional Staff Training Services	433,242.09	1,100,564.98	
Instruction Related Technology	102,737.13		
Board of Education	344,385.64		
General Administration	669,303.50	75,520.49	19.13
School Administration	2,918,860.22		
Facilities Acquisition and Construction	11,810.00		
Fiscal Services	469,625.42		
Food Services	9,821.34		
Central Services	469,126.38		
Pupil Transportation Services	2,630,790.57	3,271.10	
Operation of Plant	3,017,376.60		
Maintenance of Plant	1,665,846.40		
Administrative Technology Services	159,887.26		
Community Services	47,460.14		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			
Other Capital Outlay	63,410.19	174,876.92	
Debt Service:			
Principal			
Interest and Fiscal Charges	36,773.97		
Total Expenditures	38,504,209.71	5,309,987.09	3,975.72
Excess of Revenues Over Expenditures	1,827,953.30		
Other Financing Sources (Uses)			
Transfers In	300,285.00		
Transfers Out			
Total Other Financing Sources (Uses)	300,285.00		
Net Change in Fund Balances	2,128,238.30		
Fund Balances, Beginning	3,624,171.42		
Fund Balances, Ending	\$ 5,752,409.72	\$ 0.00	\$ 0.00

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

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		2,004,063.53	336,461.97
3,520,358.00		257,816.81	7,442,673.53
	3,115,803.75		31,872,950.90
		776,994.87	13,906,939.46
8,714.66	16,680.75	153.07	776,994.87
			1,010,690.53
<u>3,529,072.66</u>	<u>3,132,484.50</u>	<u>3,039,028.28</u>	<u>55,346,711.26</u>
			26,127,324.71
			1,757,337.74
			704,159.81
			824,640.79
			1,533,807.07
			102,737.13
			344,385.64
			744,843.12
			2,918,860.22
	437,566.66	42,200.37	491,577.03
			469,625.42
		2,575,615.95	2,585,437.29
			469,126.38
			2,634,061.67
			3,017,376.60
			1,665,846.40
			159,887.26
			47,460.14
2,251,136.30	25,386.04	200,100.31	2,476,622.65
	599,586.01	25,176.74	863,049.86
	176,992.60	115,000.00	291,992.60
	21,205.04	69,213.04	127,192.05
<u>2,251,136.30</u>	<u>1,260,736.35</u>	<u>3,027,306.41</u>	<u>50,357,351.58</u>
<u>1,277,936.36</u>	<u>1,871,748.15</u>	<u>11,721.87</u>	<u>4,989,359.68</u>
		133,280.55	433,565.55
<u>(300,285.00)</u>	<u>(133,280.55)</u>		<u>(433,565.55)</u>
<u>(300,285.00)</u>	<u>(133,280.55)</u>	<u>133,280.55</u>	
977,651.36	1,738,467.60	145,002.42	4,989,359.68
256,547.99	174,042.84	723,008.63	4,777,770.88
<u>\$ 1,234,199.35</u>	<u>\$ 1,912,510.44</u>	<u>\$ 868,011.05</u>	<u>\$ 9,767,130.56</u>

**SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009**

Net Change in Fund Balances - Governmental Funds \$ 4,989,359.68

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period. (68,107.86)

The receipt of capital assets by donation during the current period is recognized in the government-wide statement of activities, but not in the governmental funds. 328,991.16

The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (22,272.44)

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 by which repayments exceeded proceeds in the current period. 291,992.60

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences paid in excess of the amount earned in the current period. 20,902.61

Postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current period. (613,580.00)

Change in Net Assets - Governmental Activities \$ 4,927,285.75

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

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

	Agency Funds
ASSETS	
Cash	\$ 549,404.00
LIABILITIES	
Internal Accounts Payable	\$ 549,404.00

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

**SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 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 Suwannee County School District is considered part of the Florida system of public education. The governing body of the school district is the Suwannee 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 Suwannee County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the 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 the application of these criteria, the following component units are included within the District School Board's reporting entity:

- **Blended Component Unit.** The Suwannee County School Board Leasing Corporation (Leasing Corporation), was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 7. Due to the substantive economic relationship between the Suwannee County District School Board and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- **Discretely Presented Component Unit.** The component unit columns in the government-wide financial statements include the financial data of the Suwannee Foundation for Excellence in Education, Inc. (Foundation), which was formed to provide charitable and educational aid to the School Board; to promote education; and to encourage research, learning and dissemination of information. The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit. The Foundation's financial statements are on file in the District's administrative office.

➤ **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 primary government and its component unit.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Public Education Capital Outlay Fund – to account for the resources generated by the Legislative appropriations of gross receipts taxes for the District. These funds are to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, maintenance, repair, 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, renovation and remodeling projects, and debt service payments on capital leases for relocatable school buildings.

Additionally, the District reports the following fiduciary fund type:

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

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

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

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

when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

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

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

The Suwannee Foundation for Excellence in Education, Inc., shown as a discretely presented component unit, is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

➤ **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. At June 30, 2009, the District had no investments considered cash equivalents.

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

Investments consist of amounts placed in State Board of Administration (SBA) Debt Service accounts for investment of debt service moneys and those made locally. Investments made locally consist of United States Government Instrumentality Obligations and are reported at fair value. Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at last invoice, which approximates the first-in, first-out basis, except that United States Department of Agriculture 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 purchased during the year, and are adjusted at fiscal year-end to reflect year-end physical inventories.

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

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

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

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

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

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

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.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received an allocation under the Classrooms for Kids Program. 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 Suwannee County Property Appraiser, and property taxes are collected by the Suwannee County Tax Collector.

The School Board adopted the 2008 tax levy on September 4, 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 Suwannee County Tax Collector at fiscal year-end but not yet remitted to the District.

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

➤ **Federal Revenue Sources**

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting

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

agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

3. INVESTMENTS

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

Investment	Maturities	Fair Value
State Board of Administration Debt Service Accounts	6 Months	\$ 36,881.14
United States Instrumentality Obligations - FHLMC Discount Notes (1)	12-15-09	133,280.55
Total Investments		\$ 170,161.69

Note: (1) This investment is held under a paying agent agreement in connection with the Qualified Zone Academy Bonds financing arrangement. (See Note 7)

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.

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

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (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's investment policy does not further limit the types of authorized investments.
- The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing credit risk for this account.
- The District's investment in United States Instrumentality Obligations is authorized under a forward delivery agreement with the Qualified Zone Academy Bonds paying agent. The investments must have a maturity date on or before December 15, 2021. The District's investment in the Federal Home Loan Mortgage Corporation Discount Notes was rated A-1+ by Standard & Poor's and 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.
- United States Instrumentality Obligations are held by a trustee in the name of the District in connection with the District's Qualified Zone Academy Bonds.

Concentration Risk

- The District does not have a formal investment policy that limits the amount the District may invest in any one issuer. Seventy-eight percent of the District's investments totaling \$133,280.55 are in Federal Home Loan Mortgage Corporation Notes, a government sponsored enterprise of the United States Federal government. This investment is made pursuant to a forward delivery agreement related to the District's Qualified Zone Academy Bonds (see Note 7).

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

4. CHANGE 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	\$ 1,193,500.25	\$	\$ 14,857.30	\$ 1,178,642.95
Construction in Progress		2,584,550.71		2,584,550.71
Total Capital Assets Not Being Depreciated	1,193,500.25	2,584,550.71	14,857.30	3,763,193.66
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,340,967.27	236,227.10		3,577,194.37
Buildings and Fixed Equipment	66,884,544.51			66,884,544.51
Furniture, Fixtures, and Equipment	6,415,275.77	345,551.97	228,895.99	6,531,931.75
Motor Vehicles	4,138,428.95	523,302.00		4,661,730.95
Property Under Capital Lease	344,043.00			344,043.00
Audio Visual Materials and Computer Software	410,470.21	3,309.00	24,439.29	389,339.92
Total Capital Assets Being Depreciated	81,533,729.71	1,108,390.07	253,335.28	82,388,784.50
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,301,880.74	286,175.55		2,588,056.29
Buildings and Fixed Equipment	21,030,849.80	2,298,691.78		23,329,541.58
Furniture, Fixtures, and Equipment	4,677,628.50	551,107.22	222,180.85	5,006,554.87
Motor Vehicles	3,077,210.25	272,834.37		3,350,044.62
Property Under Capital Lease	51,606.45	17,202.15		68,808.60
Audio Visual Materials and Computer Software	388,527.14	6,046.41	23,739.29	370,834.26
Total Accumulated Depreciation	31,527,702.88	3,432,057.48	245,920.14	34,713,840.22
Total Capital Assets Being Depreciated, Net	50,006,026.83	(2,323,667.41)	7,415.14	47,674,944.28
Governmental Activities Capital Assets, Net	\$ 51,199,527.08	\$ 260,883.30	\$ 22,272.44	\$ 51,438,137.94

The class of property under capital lease is presented in Note 6.

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

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 272,834.37
Unallocated	3,159,223.11
	<u>3,432,057.48</u>
Total Depreciation Expense - Governmental Activities	\$ 3,432,057.48

5. CHANGES IN SHORT-TERM DEBT

The following is a schedule of changes in short-term debt:

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	\$	\$ 2,500,000.00	\$ 2,500,000.00	\$
	<u>\$</u>	<u>\$ 2,500,000.00</u>	<u>\$ 2,500,000.00</u>	<u>\$</u>

The District borrowed \$2,500,000 on December 10, 2008, from First Federal Bank of Florida. This loan was repaid by the District in installments of \$1,250,000 each, plus accrued interest, on February 6, 2009, and May 22, 2009. The purpose of the loan was to fund District operations during December in anticipation of receipt of ad valorem tax revenue. Total interest paid relating to this loan was \$36,773.97.

6. OBLIGATION UNDER CAPITAL LEASE

Relocatable classrooms with an asset balance of \$344,043 are being acquired under capital lease. Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2010	\$ 56,431.92	\$ 50,988.64	\$ 5,443.28
2011	56,431.92	53,066.00	3,365.92
2012	56,431.92	55,228.02	1,203.90
	<u>\$ 169,295.76</u>	<u>\$ 159,282.66</u>	<u>\$ 10,013.10</u>
Total Minimum Lease Payments	\$ 169,295.76	\$ 159,282.66	\$ 10,013.10

The stated interest rate is 4 percent.

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

7. CERTIFICATES OF PARTICIPATION

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

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

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

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

8. NOTE PAYABLE

Note payable is comprised of the following:

	Balance at
	6-30-09
First Federal Savings Bank of Florida	
\$800,000, Borrowed 7-9-2004, Under Provisions of Section 1011.14, Florida Statutes. Note Terms Renegotiated on 10-13-2005 to Establish Line of Credit of \$1,400,000. Interest Rate of 58 Percent of Prime Interest Rate (Currently 1.885 Percent). Proceeds Used to Finance New Elementary School Project. The Board's Intent is to Extend Repayment over Five Years.	\$ 256,000

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

Amounts payable for the planned extended repayment of the Section 1011.14, Florida Statutes, bank loans are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2010	\$ 132,825.60	\$ 128,000.00	\$ 4,825.60
2011	130,412.80	128,000.00	2,412.80
Total	<u>\$ 263,238.40</u>	<u>\$ 256,000.00</u>	<u>\$ 7,238.40</u>

9. 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	\$ 105,000	4.375 - 4.750	2019
Series 2005B, Refunding	<u>1,170,000</u>	5.0	2018
Total Bonds Payable	<u>\$ 1,275,000</u>		

These 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.

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2010	\$ 183,350.00	\$ 120,000.00	\$ 63,350.00
2011	177,443.75	120,000.00	57,443.75
2012	176,493.75	125,000.00	51,493.75
2013	180,293.75	135,000.00	45,293.75
2014	178,600.00	140,000.00	38,600.00
2015-2019	<u>716,650.00</u>	<u>635,000.00</u>	<u>81,650.00</u>
Total State School Bonds	<u>\$ 1,612,831.25</u>	<u>\$ 1,275,000.00</u>	<u>\$ 337,831.25</u>

10. 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					
Obligation Under Capital Lease	\$ 208,275.26	\$	\$ 48,992.60	\$ 159,282.66	\$ 50,988.64
Note Payable	384,000.00		128,000.00	256,000.00	128,000.00
Bonds Payable	1,390,000.00		115,000.00	1,275,000.00	120,000.00
Certificates of Participation Payable	2,109,275.00			2,109,275.00	
Compensated Absences Payable	3,275,125.48	342,507.93	363,410.54	3,254,222.87	940,355.23
Other Postemployment Benefits Payable		<u>1,129,465.00</u>	<u>515,885.00</u>	<u>613,580.00</u>	
Total Governmental Activities	<u>\$ 7,366,675.74</u>	<u>\$ 1,471,972.93</u>	<u>\$ 1,171,288.14</u>	<u>\$ 7,667,360.53</u>	<u>\$ 1,239,343.87</u>

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

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

11. 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	\$ 29,898.61	\$
Special Revenue:		
Other	732.92	27,587.78
ARRA Economic Stimulus		732.92
Capital Projects:		
Public Education Capital Outlay		299,719.38
Local Capital Improvement		1,578.81
Nonmajor Governmental	299,719.38	732.02
Total	\$ 330,350.91	\$ 330,350.91

The interfund amounts represent corrections to expenditures between funds.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 300,285.00	\$
Capital Projects:		
Public Education Capital Outlay		300,285.00
Local Capital Improvement		133,280.55
Nonmajor Governmental	133,280.55	
Total	\$ 433,565.55	\$ 433,565.55

Transfers were made from the capital projects funds to offset eligible expenditures in the General Fund and to a nonmajor debt service fund for the Qualified Zone Academy Bonds sinking fund payment.

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

12. 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 – Other Fund and 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 – Other Fund and Special Revenue – ARRA Economic Stimulus Fund total \$260,943.92 and \$26,982.27, respectively, at June 30, 2009.

13. SCHEDULE OF STATE REVENUE SOURCES

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 18,012,368.00
Categorical Educational Programs:	
Class Size Reduction	5,551,816.00
Transportation	1,595,004.00
Instructional Materials	555,172.00
Excellent Teaching	156,578.52
School Recognition	138,260.00
Florida Teachers Lead	80,941.00
Classrooms for Kids	2,076,238.00
Gross Receipts Tax (Public Education Capital Outlay)	1,444,120.00
Workforce Development Program	1,020,171.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	215,251.17
Discretionary Lottery Funds	132,212.00
Mobile Home License Tax	68,028.56
Food Service Supplement	45,743.00
Miscellaneous	781,047.65
Total	<u><u>\$ 31,872,950.90</u></u>

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

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

14. PROPERTY TAXES

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

	<u>Millages</u>	<u>Taxes Levied</u>
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.330	\$ 9,608,921
Basic Discretionary Local Effort	0.498	897,794
Supplemental Discretionary Local Effort	0.250	450,700
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.750	3,154,899
Total	7.828	\$ 14,112,314

15. 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.

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

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 69 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$255,880.93.

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

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

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$2,644,278.10, \$2,692,308.03, and \$2,540,117.34, 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.

16. OTHER POSTEMPLOYMENT BENEFITS PLAN

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 benefits provided by the District. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$11,853,606 at the

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

October 1, 2007, date of transition amortized over 20 years. Accordingly, for financial reporting purposes, no liability is reported for the other postemployment benefits liability at the date of transition.

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage and life insurance. 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. Additionally, the District pays a portion of the cost of healthcare and life insurance benefits for certain retired former employees (explicit subsidy). Pursuant to the current instructional and school related employee contracts, current employees who retire with 30 or more years of service and are 52 years of age or older are eligible to receive the benefit. The benefits provided under this defined benefit plan continue until the employee reaches 65 years of age or becomes eligible for Medicare, whichever occurs first. The Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. Contribution requirements of the District and plan members are established and may be amended through 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, 87 retirees received postemployment healthcare benefits and 199 received life insurance benefits. The District provided required contributions of \$515,885 toward the annual OPEB cost comprised of premium payments made on behalf of retirees and net of retiree contributions totaling \$227,073, which represents 1 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of 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 other postemployment benefits:

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

Description	Amount
Normal Cost (service cost for one year)	\$ 537,777
Amortization of Unfunded Actuarial Accrued Liability	564,517
Interest on Normal Cost and Amortization	27,171
Annual Required Contribution	1,129,465
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	
Annual OPEB Cost (Expense)	1,129,465
Contribution Toward the OPEB Cost	(515,885)
Increase in Net OPEB Obligation	613,580
Net OPEB Obligation, Beginning of Year	
Net OPEB Obligation, End of Year	\$ 613,580

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 (first year of implementation), were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7-1-08	\$ 0	0.0%	\$ 0
2008-09	1,129,465	45.7%	613,580

Funded Status and Funding Progress. As of October 1, 2007, the most recent valuation date, the actuarial accrued liability for benefits was \$11,853,606, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$11,853,606 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$23,538,618 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 50.4 percent.

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

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

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 percent per year, and an annual healthcare cost trend rate of 11 percent initially beginning on October 1, 2008, reduced by decrements each year, to an ultimate rate of 5 percent after nine years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 19 years.

17. 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
Suwannee Middle School Classroom Addition:			
Architect	\$ 144,800.00	\$ 120,800.00	\$ 24,000.00
Contractor	2,063,792.00	1,511,401.00	552,391.00
Total	\$2,208,592.00	\$1,632,201.00	\$ 576,391.00

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

18. RISK MANAGEMENT PROGRAMS

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

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 50,000.00	\$ 50,000.00	\$ 55,320.47	\$ 5,320.47
Federal Through State and Local	50,000.00	286,012.00	405,788.69	119,776.69
State	29,048,451.00	28,397,033.59	28,094,776.09	(302,257.50)
Local:				
Property Taxes	10,215,876.00	10,409,544.00	10,791,135.71	381,591.71
Miscellaneous	550,100.00	664,725.46	985,142.05	320,416.59
Total Revenues	39,914,427.00	39,807,315.05	40,332,163.01	524,847.96
Expenditures				
Current - Education:				
Instruction	23,694,733.14	24,123,458.34	22,862,347.29	1,261,111.05
Pupil Personnel Services	1,405,013.29	1,362,387.84	1,332,792.37	29,595.47
Instructional Media Services	688,714.34	711,245.56	695,601.92	15,643.64
Instruction and Curriculum Development Services	574,549.00	600,963.46	563,011.28	37,952.18
Instructional Staff Training Services	404,895.12	548,657.75	433,242.09	115,415.66
Instruction Related Technology	155,290.98	109,508.81	102,737.13	6,771.68
Board of Education	248,622.00	355,037.06	344,385.64	10,651.42
General Administration	1,782,633.25	1,515,184.93	669,303.50	845,881.43
School Administration	2,948,998.93	3,026,828.42	2,918,860.22	107,968.20
Facilities Acquisition and Construction		11,810.00	11,810.00	
Fiscal Services	487,808.00	513,153.94	469,625.42	43,528.52
Food Services		38,477.74	9,821.34	28,656.40
Central Services	919,880.64	849,684.56	469,126.38	380,558.18
Pupil Transportation Services	3,123,108.72	3,095,419.99	2,630,790.57	464,629.42
Operation of Plant	4,502,810.63	4,549,150.02	3,017,376.60	1,531,773.42
Maintenance of Plant	1,914,289.10	1,875,377.03	1,665,846.40	209,530.63
Administrative Technology Services	142,378.00	161,161.86	159,887.26	1,274.60
Community Services	47,603.00	47,603.00	47,460.14	142.86
Fixed Capital Outlay:				
Other Capital Outlay		63,410.19	63,410.19	
Debt Service:				
Interest and Fiscal Charges		36,773.97	36,773.97	
Total Expenditures	43,041,328.14	43,595,294.47	38,504,209.71	5,091,084.76
Excess (Deficiency) of Revenues Over Expenditures	(3,126,901.14)	(3,787,979.42)	1,827,953.30	5,615,932.72
Other Financing Sources				
Transfers In	300,285.00	300,285.00	300,285.00	
Net Change in Fund Balances	(2,826,616.14)	(3,487,694.42)	2,128,238.30	5,615,932.72
Fund Balances, Beginning	3,624,171.42	3,624,171.42	3,624,171.42	
Fund Balances, Ending	\$ 797,555.28	\$ 136,477.00	\$ 5,752,409.72	\$ 5,615,932.72

Special Revenue - Other Fund				Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 5,218,339.43	\$ 6,985,675.81	\$ 5,028,845.59	\$ 281,141.50 (1,956,830.22)	\$ 1,292,380.00	\$ 3,975.72	\$ (1,288,404.28)	
5,218,339.43	6,985,675.81	5,309,987.09	(1,675,688.72)	1,292,380.00	3,975.72	(1,288,404.28)	
3,283,654.78	4,381,636.88	3,264,977.42	1,116,659.46	860,358.69		860,358.69	
448,034.78	650,346.65	424,545.37	225,801.28	306,660.00		306,660.00	
8,791.52	8,599.83	8,557.89	41.94				
204,435.82	345,070.86	257,672.92	87,397.94	56,000.00	3,956.59	52,043.41	
1,180,160.21	1,262,317.26	1,100,564.98	161,752.28				
	44,000.00		44,000.00				
83,520.83	95,085.92	75,520.49	19,565.43	16,861.31	19.13	16,842.18	
9,741.49	23,741.49	3,271.10	20,470.39	52,500.00		52,500.00	
	174,876.92	174,876.92					
5,218,339.43	6,985,675.81	5,309,987.09	1,675,688.72	1,292,380.00	3,975.72	1,288,404.28	
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	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	\$ 11,853,606	\$ 11,853,606	0.0%	\$ 23,538,618	50.4%

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**SUWANNEE 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	\$ 439,903.20
National School Lunch Program	10.555	300	1,390,819.78
Summer Food Service Program for Children	10.559	323	58,469.94
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)(A)	None	91,601.10
Total United States Department of Agriculture			1,980,794.02
United States Department of Education:			
Direct:			
Federal Pell Grant Program	84.063	N/A	281,131.50
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	1,342,302.31
Special Education - Preschool Grants	84.173	267	52,173.53
Columbia County District School Board:			
Special Education - Grants to States	84.027	None	571.52
Total Special Education Cluster			1,395,047.36
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	1,774,368.12
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223	3,975.72
Total Title I, Part A Cluster			1,778,343.84
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	68,245.83
Migrant Education - State Grant Program	84.011	217	158,003.90
Career and Technical Education - Basic Grants to States	84.048	151, 161	239,571.65
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	28,862.61
Education for Homeless Children and Youth	84.196	127	95,898.13
Twenty-First Century Community Learning Centers	84.287	244	373,878.06
State Grants for Innovative Programs	84.298	113	1,271.34
Education Technology State Grants	84.318	121, 122	314,336.53
Rural Education	84.358	110	110,774.41
English Language Acquisition Grants	84.365	102	23,565.58
Improving Teacher Quality State Grants	84.367	224, 225	384,432.07
School Improvement Grants	84.377	126	59,736.32
Putnam County District School Board:			
Reading First State Grants	84.357	None	182,279.45
Total Indirect			5,214,247.08
Total United States Department of Education			5,495,378.58
Corporation for National and Community Service:			
Indirect:			
Florida Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	234	1,435.20
United States Department of Homeland Security:			
Indirect:			
Florida Department of Community Affairs:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	None	43,927.24
Florida Division of Emergency Management:			
Hazard Mitigation Grant	97.039 (2)(B)	None	274,936.54
Total United States Department of Homeland Security			318,863.78
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	55,320.47
Total Expenditures of Federal Awards			\$ 7,851,792.05

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

(2) Noncash Assistance.

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

(B) Hazard Mitigation Grant - Represents the Federally-paid portion of emergency shelter generator totaling \$247,936.54. The remaining expenditures were for installation costs of \$27,000 paid from Federal grant funds.



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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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Suwannee County District School Board as of and for the fiscal year ended June 30, 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 and the discretely presented component unit, as described in our report on the Suwannee County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *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. We consider Financial Statement Finding No. 1, which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, to be a significant deficiency in internal control over financial reporting.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is not a material weakness.

Compliance and Other Matters

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
January 5, 2010



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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 Suwannee 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. However, the results of our auditing procedures disclosed some instances of noncompliance with those requirements, which are required to be reported in accordance with OMB *Circular A-133*, and an instance of noncompliance with requirements applicable to

a program which is not a major program. These instances are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1 and 2.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program 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.

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
January 5, 2010

**SUWANNEE 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)? Yes

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 *Circular A-133*? Yes

Identification of major programs: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389); Twenty-First Century Community Learning Centers (CFDA No. 84.287); and Education Technology State Grants (CFDA No. 84.318)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

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

FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

Finding No. 1: Financial Reporting

Our review of the District’s 2008-09 fiscal year annual financial report, provided for audit, disclosed that improvements could be made in the District’s financial reporting procedures. The United States Office of Management and Budget’s *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* requires the District to prepare a Schedule of Expenditures of Federal Awards (SEFA). However, we noted that the District omitted certain data from its SEFA, contrary to *Circular A-133*, and, as a result, the SEFA was understated by approximately \$563,000, or 7 percent. For example, District personnel did not report the Hazard Mitigation Grant, totaling \$274,936.54, because the District did not timely obtain information from the grantor, and inadvertently did not separately report the ARRA - Title I program, totaling \$3,975.72. Without procedures to accurately report Federal programs and related expenditures on the SEFA, the risk increases that major Federal programs may not be audited, and costs associated with those programs may be subject to disallowance by the grantors. We extended our audit procedures to determine the adjustments and corrections necessary, and the recommended changes were accepted by the District to properly report the SEFA data.

Recommendation: To facilitate necessary financial reporting, the District should enhance procedures to ensure the accuracy of the Schedule of Expenditures of Federal Awards.

ADDITIONAL MATTERS

Finding No. 2: Construction

Pursuant to Section 1013.45(1), Florida Statutes, a school district may contract for the construction or renovation of facilities with a construction management entity (CME). Under the CME process, contractor profit and overhead are contractually agreed upon, and the CME is responsible for scheduling and coordination in both the design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. Generally, CME contracts contain a guaranteed maximum price (GMP) which allows districts to realize cost savings if the cost of construction is less than the GMP. As such, it is important that District personnel closely monitor construction costs relating to such contracts.

We reviewed the District’s administration of a CME contract, which included a GMP of \$2,744,679, for the Suwannee Middle School Classroom Additions project. However, our review of District procedures for determining the validity of construction expenditures, totaling \$1,511,401, for the project disclosed that enhancements could be made in the process, as described below.

- In addition to the CME's profit and overhead, totaling \$180,867, the CME contract included reimbursable cost provisions for general conditions and construction requirements in the GMP. These cost provisions, totaling approximately \$389,000, and representing approximately 14 percent of the project cost, were for expenses such as labor costs of the CME home office and field employee staff, field office expenses, temporary utilities, and equipment rental. Also, the CME contract provided a \$20,000 lump sum credit to the District for general conditions and construction requirements, which District personnel indicated would allow the CME to obtain reimbursement from the District for the above costs, without having to provide documentation to support these costs. However, since the District did not document how it determined the reasonableness of these cost provisions totaling \$369,000 (net), nor did District personnel verify documentation, such as payroll warrant registers for labor costs and vendor invoices for the other expenses, to support payments for these requirements, the risk increased for overpayment for these services. Sufficient, appropriate documentation to support amounts charged for construction costs is necessary to evidence that amounts paid are valid expenditures of the District and consistent with contract terms, and to ensure that the District properly realizes savings as provided by the GMP contract.
- Although the CME contract provided that employee costs for the CME home/branch office mechanical, engineering and plumbing coordinator, safety director, and accounting and administration were not reimbursable costs, the CME included charges, totaling \$31,777, as eligible for reimbursement in the general condition costs on invoices. According to District personnel, these costs were included in the negotiated GMP contract; however, given the inconsistencies between the CME contract and invoiced information, the risk increases for the District to forego cost savings relating to these personnel.

Recommendation: The District should enhance its construction monitoring procedures to ensure that it considers and maintains sufficient, appropriate documentation to support all payments to the CME. In addition, the District should clarify which CME personnel costs are reimbursable, consistent with the Board's intent, to ensure that it realizes cost savings, as applicable.

Finding No. 3: Ad Valorem Taxation Expenditures

Section 1011.71, Florida Statutes, allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of capital outlay millage levy proceeds include, among other things, funding of new construction and remodeling projects; maintenance, renovation, and repair of existing school plants; school bus purchases; purchases of new and replacement equipment; certain enterprise resource software; and property casualty insurance premium costs subject to certain conditions and limitations.

The District reported expenditures, totaling approximately \$1,260,000, from ad valorem tax proceeds in the Capital Projects - Local Capital Improvement Fund (LCIF) during the 2008-09 fiscal year. Our initial tests of LCIF records supporting 14 payments, totaling \$933,802.17, disclosed four payments totaling \$29,051.23, for educational software, technical assistance contracts, and telephone notification system services and one payment of \$113.90 for high-speed internet access fees which represent questioned costs of ad valorem tax proceeds. We expanded our testing and noted 12 additional expenditures, totaling \$28,439.50, for educational software, technical assistance contracts, and telephone notification system services; eight additional expenditures for high-speed internet access fees totaling \$929.20; and one payment of \$174.02 for copy machine rentals; all of which appear contrary to the requirements of Section 1011.71, Florida Statutes.

In response to our inquiries, District personnel indicated that the General Fund had expenditures, totaling \$274,192, for items eligible for payment from millage levy proceeds, and these expenditures would more than offset the above questioned costs in LCIF. However, since the District did not report transfers in to LCIF to cover the questioned costs, LCIF expenditures, totaling \$58,707.85, remain questioned costs of the levy proceeds.

Recommendation: The District should document to the Florida Department of Education the allowability of these expenditures, totaling \$58,707.85, or these funds should be restored to the Capital Projects – Local Capital Improvement Fund. Further, the District should enhance controls to ensure that ad valorem tax proceeds are only expended for the purposes set forth in Section 1011.71, Florida Statutes.

Finding No. 4: Information Technology – Written Policies and Procedures

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

As similarly noted in our report No. 2009-119, the District lacked written policies and procedures for the following IT functions:

- Administering vendor-supplied identification codes (IDs), user IDs, administrative passwords, guest accounts, and security devices (such as firewalls and routers).
- Defining network administration responsibilities.
- Prohibiting administrator rights on the workstations of end users.
- Defining access privileges and responsibilities of end-user support staff.
- Resetting user passwords, including positive identification of the user.

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

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

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Title I, Part A Grants to Local Educational Agencies (CFDA No. 84.010) and School Improvement Grants (CFDA No. 84.377)

Finding Type: Noncompliance (CFDA Nos. 84.010 and 84.377)

Questioned Costs: \$1,560.14 – Title I; and \$12,389.89 – School Improvement Grants

Allowable Costs/Cost Principles. Title 34, Section 80.24, Code of Federal Regulations, provides that grantees may rebudget within the approved direct cost budget to meet unanticipated requirements and may make limited program changes to the approved project. Further, the Florida Department of Education (FDOE), as the pass-through agency for the Title I and School Improvement programs, drafted the Project Application and Amendment Procedures for Federal and State Grants (Green Book), which sets forth the types of changes in grant activities or changes subject to

prior approval by the grantor agency. The Green Book provides that where statutes or rules governing a program do not expressly stipulate program or budget amendment requirements, project recipients shall obtain prior approval in writing for changes to the approved project application, involving issues such as goals and objectives, work tasks, types of personnel employed by the project, and contracting or sub-granting.

The District incurred Title I and School Improvement program expenditures totaling approximately \$1.8 million and \$60,000, respectively. Our review disclosed that the District paid \$1,560.14 from the Title I program and \$12,389.89 from the School Improvement program to a consultant for a feasibility study relating to reconfiguring the Live Oak Elementary Schools into three Prekindergarten through Grade 5 schools, and the District charged these services to the respective programs as instructional-related purposes. Insofar as the feasibility study involved changes in project goals and objectives and work tasks, the study was subject to prior approval in writing by FDOE; however, the study was not included in the original grant applications of these awards or approved pursuant to budget amendments. In the absence of such authorization or approval, these expenditures, totaling \$13,950.03, represent questioned costs subject to disallowance by the grantor.

Recommendation: The District should document to the grantor (Florida Department of Education) the allowability of these questioned costs, totaling \$13,950.03, to the Title I and School Improvement programs, or restore the respective amounts to the programs, as applicable.

District Contact Person: Lila Udell, Director of Federal Programs

Federal Awards Finding No. 2:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Title I, Part A Grants to Local Educational Agencies (CFDA No. 84.010); and Twenty-First Century Community Learning Centers (CFDA No. 84.287)

Finding Type: Noncompliance

Questioned Costs: Not Applicable

Suspension and Debarment. The United States Office of Management and Budget (OMB) *Circular A-102* requires the District to determine that entities receiving procurement contracts equal to or exceeding \$25,000 are not suspended or debarred. The District may comply with this requirement by checking the *Excluded Parties Listing System (EPLS)* issued by the General Services Administration, obtaining a written certification from the vendor, or by inserting a clause in the agreement with the entity.

During the 2008-09 fiscal year, the District made several payments pursuant to contracts or purchase orders exceeding \$25,000, without requiring the contractors to certify that they were not suspended or debarred from receiving Federal funds, or by initially verifying the contractor's suspension or debarment status by checking the *EPLS*. The payments included approximately \$1,070,000 to four vendors for food products for the Child Nutrition Cluster program; \$159,000 to two vendors for educational supplies and equipment for the Title I program; and \$63,000 to one vendor for educational equipment and supplies for the Twenty-First Century program.

Failure to demonstrate compliance with Federal administrative requirements could limit the District's actions if disputes arose with the contractors and could result in disallowance of grant expenditures by the grantor. Subsequent to our inquiry, the District verified that the contractors were not on the list of contractors suspended or debarred from receiving Federal funds.

Recommendation: The District should establish procedures, as required, for determining if contractors are suspended or debarred prior to entering into contracts, and maintain documentation of these procedures.

District Contact Person: Vickie Music, Chief Financial Officer

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2009-119.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 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
2009-119		No prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE

SUWANNEE COUNTY SCHOOL BOARD



Serving The Children Of Our Community

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Superintendent of Schools

JERRY TAYLOR
DISTRICT 1

MURIEL OWENS
DISTRICT 2

JULIE ULMER
DISTRICT 3

JAMES COOPER
DISTRICT 4

J. M. HOLTZCLAW
DISTRICT 5

ANDREW J. DECKER, III
BOARD ATTORNEY

January 5, 2010

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

Dear Mr. Martin:

Pursuant to the provisions of Section 11.45(4)(d), Florida Statutes, we are providing this response to the findings cited in the audit of the Suwannee County District School Board for the fiscal year ending June 30, 2009.

Finding No. 1: Financial Reporting

The District will enhance procedures to ensure the accuracy of the Schedule of Expenditures of Federal Awards. The District accepts the Auditor General's finding and will report accordingly.

Finding No. 2: Construction

The District will enhance its construction monitoring procedures to ensure that it considers and maintains sufficient, appropriate documentation to support all payments to a construction management entity in the future.

Finding No. 3: Ad Valorem Taxation Expenditures

The District will enhance controls to ensure that ad valorem tax proceeds are only expended for the purposes set forth in Section 1011.71, Florida Statutes. Accordingly, the District will contact the Florida Department of Education to determine and document appropriate expenditures from this revenue source.

Finding No. 4: Information Technology – Written Policies and Procedures

Although the District has established procedures identifying information technology (IT) functions and expectations, these procedures are not finalized into a written document. Per the audit recommendation,

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Mr. David W. Martin, CPA
Auditor General
January 5, 2010
Page 2

the District will finalize written policies and procedures to document management's expectations for the performance of IT functions. These expectations will be identified and aligned with the appropriate IT functions.

Federal Award Findings and Questioned Costs

Finding No. 1:

The District accepts the Auditor General's finding related to allowable costs and will contact the Florida Department of Education concerning resolution of the costs relating to the feasibility study in question.

Finding No. 2:

Subsequent to the June 30, 2009, audit, the District implemented procedures for determining if contractors are suspended or debarred prior to entering into contracts and maintains documentation of these procedures. Additionally, upon review of vendor payments during the 2008-09 fiscal year, it was determined that no contractors had been suspended or debarred, and that all payments were appropriately made.

The Suwannee County District School Board accepts your comments and recommendations with regard to its fiscal year 2008-2009 audit report in a positive and constructive manner. All recommendations will be reviewed and considered for implementation during the current fiscal year.

Sincerely,



Jerry A. Scarborough
Superintendent of Schools