

SUWANNEE COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2010



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Jerry L. Taylor, Chair	1
Muriel S. Owens	2
Julie B. Ulmer, Vice Chair from 11-17-09	3
James Cooper	4
J. M. Holtzclaw, Vice Chair to 11-16-09	5

Jerry A. Scarborough, Superintendent

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

The audit team leader was Glenda K. Hart, CPA, and the audit was supervised by Cathy L. Bandy, CPA. For the information technology portion of this audit, the audit team leader was Vikki Mathews, CISA, and the supervisor was Nancy M. Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; 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

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

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

ADDITIONAL MATTERS

Finding No. 1: Controls over contractual services could be enhanced.

Finding No. 2: District records did not always document the propriety of extra payments for additional duties, or supervisory approval and timely processing of these payments.

Finding No. 3: The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes, and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes.

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

Finding No. 5: Certain IT security controls related to user authentication needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Part A Cluster; Special Education Cluster; Federal Pell Grant; and State Fiscal Stabilization Cluster 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, except for the Federal Pell Grant program. The noncompliance and control deficiency finding is summarized below.

Federal Awards Finding No. 1: Controls for the Federal Pell Program were not adequate to ensure proper administration of the grant, resulting in \$65,751 of questioned costs.

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:

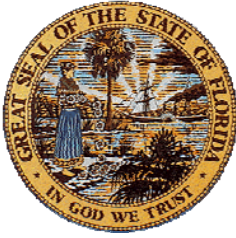
- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a 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. 2010-079.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2010. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT ON 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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 30 percent of the assets and 84 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., the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

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

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

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

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 8) and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 40 through 44) be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Respectfully submitted,



David W. Martin, CPA
March 7, 2011

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, 2010. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 9 through 38.

FINANCIAL HIGHLIGHTS

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

- In total, net assets increased \$2,026,479, which represents a 3.8 percent increase from the 2008-09 fiscal year.
- General revenues totaled \$51,432,724 or 92.2 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled \$4,336,184 or 7.8 percent of all revenues.
- Expenses totaled \$53,742,429; only \$4,336,184 of these expenses were offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$2,026,479.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$7,611,321 at June 30, 2010, or 19 percent of total General Fund revenues and 20.9 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 an estimated four percent state holdback and \$1,823,585 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 12.5 percent of General Fund revenues and 13.7 percent of General Fund expenditures.
- The District's total debt increased by \$1,156,833, or 30.4 percent. The key factor in this increase was the inception of an installment purchase of 20 school buses.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-Wide Financial Statements

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

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

- **Governmental activities** – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- **Component units** – The District presents the Suwannee Foundation for Excellence in Education, Inc., (Foundation) as a separate legal entity in this report. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for the Foundation 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 the broad categories discussed below.

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Other Fund, Special Revenue – ARRA Economic Stimulus Funds, 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, 2010, compared to net assets as of June 30, 2009:

	Net Assets, End of Year	
	Governmental	
	Activities	
	6-30-10	6-30-09
Current and Other Assets	\$ 14,951,238	\$ 11,104,058
Capital Assets	51,626,894	51,438,138
Total Assets	66,578,132	62,542,196
Long-Term Liabilities	9,485,280	7,667,361
Other Liabilities	1,528,465	1,336,927
Total Liabilities	11,013,745	9,004,288
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	46,670,504	47,638,580
Restricted	4,665,256	4,305,321
Unrestricted	4,228,627	1,594,007
Total Net Assets	\$ 55,564,387	\$ 53,537,908

The largest portion of the District's net assets (84 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets (8.4 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (7.6 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, 2010, and June 30, 2009, are as follows:

Operating Results for the Year		
	Governmental Activities	
	6-30-10	6-30-09
Program Revenues:		
Charges for Services	\$ 1,204,376	\$ 1,149,595
Operating Grants and Contributions	2,335,053	3,644,511
Capital Grants and Contributions	796,755	4,100,600
General Revenues:		
Property Taxes, Levied for Operational Purposes	10,344,429	10,791,136
Property Taxes, Levied for Capital Projects	2,460,458	3,115,804
Grants and Contributions Not Restricted to Specific Programs	37,657,833	31,811,243
Unrestricted Investment Earnings	129,574	107,226
Miscellaneous	840,430	954,283
Total Revenues	55,768,908	55,674,398
Functions/Program Expenses:		
Instruction	28,990,549	26,493,254
Pupil Personnel Services	2,077,336	1,785,531
Instructional Media Services	676,783	713,996
Instruction and Curriculum Development Services	696,428	837,764
Instructional Staff Training Services	1,270,878	1,555,305
Instruction Related Technology	275,627	104,259
School Board	244,363	347,205
General Administration	722,192	753,192
School Administration	2,920,198	2,966,021
Facilities Acquisition and Construction	946,520	501,995
Fiscal Services	445,751	476,709
Food Services	2,624,171	2,603,921
Central Services	510,406	471,297
Pupil Transportation Services	3,185,369	2,936,853
Operation of Plant	2,969,548	3,036,428
Maintenance of Plant	1,359,864	1,644,800
Administrative Technology Services	249,536	162,434
Community Services	47,388	47,460
Unallocated Interest on Long-Term Debt	126,015	127,192
Unallocated Depreciation Expense	3,377,162	3,159,223
Loss on Disposal of Capital Assets	26,345	22,273
Total Functions/Program Expenses	53,742,429	50,747,112
Increase in Net Assets	\$ 2,026,479	\$ 4,927,286

The largest revenue source is the State of Florida (50.7 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs revenues increased by \$5.8 million due primarily to an increase in FEFP funding and Federal American Recovery and Reinvestment Act (ARRA) stimulus funds in the amount of \$1,841,796 and \$3,540,657, respectively, and receipt of \$322,200 from a workforce development grant.

Capital grants and contributions revenue decreased by \$3.3 million from the prior fiscal year due mainly to a reduction in Classrooms for Kids and Public Education Capital Outlay revenue appropriations.

Instruction expenses represent 53.9 percent of total governmental expenses in the 2009-10 fiscal year. Instruction expenses increased by \$2.5 million, or 9.4 percent, from the previous fiscal year due mainly to filling previously frozen instructional and school-related positions in an effort to meet class size reduction requirements.

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 \$7,611,321, while the total fund balance is \$9,409,526. The unreserved fund balance increased by \$2,966,776, while the total fund balance increased by \$3,657,117 during the fiscal year. Key factors in this growth are as follows:

- Total expenditures decreased by \$2 million, or 5.2 percent, due mainly to the transfer of instructional positions from the General fund to Special Revenue – ARRA Economic Stimulus Fund.
- Adherence to strict budgetary controls was the primary focus for the District in anticipation of continued revenue reductions and the declining economic climate of the State. Emphasis was placed upon cost saving and cost cutting measures.

The Special Revenue – Other Fund has total revenues and expenditures of \$5,840,416 each, and the funding was mainly instruction and instructional staff training. Because grant revenues are not recognized until expenditures are incurred, the grants accounted for in this fund generally do not accumulate fund balances.

The Special Revenue – ARRA Economic Stimulus Fund has total revenues and expenditures of \$3,544,633 each, and the funding was mainly used for salaries and benefits to create or save existing jobs as per assurances provided for in the project applications. Because grant revenues are not recognized until expenditures are incurred, the grants accounted for in this fund generally do not accumulate fund balances.

The Capital Projects – Public Education Capital Outlay (PECO) Fund, and Capital Projects - Local Capital Improvement (LCI) Fund have total fund balances of \$491,074 and \$2,272,563, respectively, which is restricted for the acquisition, construction, and maintenance of capital assets. The significant change in fund balance for the Capital Projects – PECO Fund was due to completion of the Suwannee Middle School Classroom Addition project and liquidating final obligations associated with this project. It should be noted that \$125,971 and \$816,212 in the Capital Projects – PECO and Capital Projects – LCI Fund, respectively, are encumbered for specific projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2009-10 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in budgeted revenues amounting to \$1,933,357, or 5.1 percent. At the same time, final appropriations are more than the original budgeted amounts by \$2,342,894, or 5.8 percent.

Actual revenues are in line with final budgeted amounts, while actual expenditures are \$6,278,770, or 14.7 percent, less than final budget amounts. Steps taken by the District to reduce expenditures included the elimination of 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 \$6,392,775.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$51,626,895 (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; and audio visual materials and computer software.

Major capital asset events during the current fiscal year included the completion of the construction of a ten classroom addition at Suwannee Middle School. Additionally, the District entered into an installment purchase agreement whereby 20 school buses were acquired.

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

Long-Term Debt

At June 30, 2010, the District has total long-term debt outstanding of \$4,956,390. This amount is comprised of an obligation under a capital lease totaling \$108,294; an obligation under an installment purchase agreement totaling \$1,465,821; a note payable totaling \$128,000; \$1,145,000 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 5 through 10 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

Effective for the 2009-10 fiscal year, the District began receiving one-time appropriations under ARRA. The intent of these funds is to help stabilize State and local government budgets in order to minimize and avoid reductions in education and other essential public services. Depending on the program, these funds are generally available for only two to three years.

Beginning with the 2010-11 school year, the District will have to meet class-size amendment requirements at the classroom level, rather than at the current school-wide average. The maximum number of students in each core class will be 18 students in prekindergarten through grade 3; 22 students in grades 4 through 8; and 25 students in grades 9 through 12. The District anticipates hiring approximately 12 teachers at a projected cost of \$600,000, including salaries and benefits, to meet these new requirements.

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, 2010

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	\$ 13,894,337.25	\$ 2,542.00
Investments	33,971.25	
Accounts Receivable	55,120.16	31,109.00
Due from Other Agencies	358,080.95	
Inventories	340,218.56	
Restricted Investments	269,509.53	
Capital Assets:		
Nondepreciable Capital Assets	1,178,642.95	
Depreciable Capital Assets, Net	50,448,251.59	1,178.00
TOTAL ASSETS	\$ 66,578,132.24	\$ 34,829.00
LIABILITIES		
Salaries and Benefits Payable	\$ 526,962.61	\$
Payroll Deductions and Withholdings	599,209.44	
Accounts Payable	197,308.94	25,878.00
Deferred Revenue	181,278.35	
Deposits Payable	23,706.03	
Long-Term Liabilities:		
Portion Due Within One Year	2,000,506.76	
Portion Due After One Year	7,484,773.03	
Total Liabilities	11,013,745.16	25,878.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	46,670,504.23	
Restricted for:		
Debt Service	303,480.78	
Capital Projects	2,904,350.06	
Food Service	805,415.25	
Fuel Tax Rebate	204,758.09	
Other Purposes	447,251.94	
Unrestricted	4,228,626.73	8,951.00
Total Net Assets	55,564,387.08	8,951.00
TOTAL LIABILITIES AND NET ASSETS	\$ 66,578,132.24	\$ 34,829.00

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, 2010**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 28,990,549.35	\$ 362,290.65	\$	\$
Pupil Personnel Services	2,077,336.08			
Instructional Media Services	676,783.09			
Instruction and Curriculum Development Services	696,427.40			
Instructional Staff Training Services	1,270,878.30			
Instruction Related Technology	275,627.18			
School Board	244,363.16			
General Administration	722,191.83			
School Administration	2,920,198.25			
Facilities Acquisition and Construction	946,520.00			510,371.89
Fiscal Services	445,750.88			
Food Services	2,624,171.00	722,207.71	2,335,053.02	
Central Services	510,406.14			
Pupil Transportation Services	3,185,368.65	119,877.49		
Operation of Plant	2,969,547.53			
Maintenance of Plant	1,359,864.29			102,005.00
Administrative Technology Services	249,536.36			
Community Services	47,388.38			
Unallocated Interest on Long-Term Debt	126,015.06			184,378.64
Unallocated Depreciation Expense*	3,377,161.95			
Loss on Disposal of Capital Assets	26,344.42			
Total Primary Government	53,742,429.30	1,204,375.85	2,335,053.02	796,755.53
Component Unit				
Suwannee Foundation for Excellance in Education, Inc.	\$ 84,102.00	\$ 0.00	\$ 71,430.00	\$ 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

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

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		Component
Governmental		Unit
Activities		
\$	(28,628,258.70)	\$
	(2,077,336.08)	
	(676,783.09)	
	(696,427.40)	
	(1,270,878.30)	
	(275,627.18)	
	(244,363.16)	
	(722,191.83)	
	(2,920,198.25)	
	(436,148.11)	
	(445,750.88)	
	433,089.73	
	(510,406.14)	
	(3,065,491.16)	
	(2,969,547.53)	
	(1,257,859.29)	
	(249,536.36)	
	(47,388.38)	
	58,363.58	
	(3,377,161.95)	
	(26,344.42)	
	(49,406,244.90)	
		(12,672.00)
	10,344,429.24	
	2,460,457.79	
	37,657,832.74	22,293.00
	129,573.63	1.00
	840,430.61	
	51,432,724.01	22,294.00
	2,026,479.11	9,622.00
	53,537,907.97	(671.00)
\$	55,564,387.08	\$ 8,951.00

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

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 9,920,554.62	\$ 102,112.43	\$ 136,390.72
Investments			
Accounts Receivable	54,256.16		
Due from Other Funds	28,568.62	43,990.00	
Due from Other Agencies	279,802.85		43,915.17
Restricted Investments			
Inventories	284,556.57		
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 10,567,738.82</u></u>	<u><u>\$ 146,102.43</u></u>	<u><u>\$ 180,305.89</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 454,941.91	\$ 57,440.64	\$ 10,117.26
Payroll Deductions and Withholdings	599,209.44		
Accounts Payable	77,154.37	5,088.28	
Due to Other Funds	3,200.83	25,234.51	47,249.28
Deferred Revenue		58,339.00	122,939.35
Deposits Payable	23,706.03		
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,158,212.58</u>	<u>146,102.43</u>	<u>180,305.89</u>
Fund Balances:			
Reserved for Encumbrances	861,638.60		
Reserved for Inventories	284,556.57		
Reserved for Fuel Tax Rebate	204,758.09		
Reserved for Debt Service			
Reserved for Other Purposes	447,251.94		
Unreserved:			
Designated, Reported in General Fund:			
Designated for 4 Percent Holdback	800,000.00		
Designated for Anticipated Loss of ARRA Funding	1,823,585.00		
Undesignated, Reported in:			
General Fund	4,987,736.04		
Special Revenue Funds			
Capital Projects Funds			
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>9,409,526.24</u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 10,567,738.82</u></u>	<u><u>\$ 146,102.43</u></u>	<u><u>\$ 180,305.89</u></u>

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
\$ 675,344.83	\$ 2,272,877.24	\$ 787,057.41	\$ 13,894,337.25
		33,971.25	33,971.25
		864.00	55,120.16
	3,126.00	184,271.02	259,955.64
	3,816.47	30,546.46	358,080.95
		269,509.53	269,509.53
		55,661.99	340,218.56
<u>\$ 675,344.83</u>	<u>\$ 2,279,819.71</u>	<u>\$ 1,361,881.66</u>	<u>\$ 15,211,193.34</u>
\$	\$	\$ 4,462.80	\$ 526,962.61
			599,209.44
	7,256.79	107,809.50	197,308.94
184,271.02			259,955.64
			181,278.35
			23,706.03
<u>184,271.02</u>	<u>7,256.79</u>	<u>112,272.30</u>	<u>1,788,421.01</u>
125,971.01	816,211.92	93,195.23	1,897,016.76
		55,661.99	340,218.56
			204,758.09
		303,480.78	303,480.78
			447,251.94
			800,000.00
			1,823,585.00
			4,987,736.04
		731,446.67	731,446.67
365,102.80	1,456,351.00	65,824.69	1,887,278.49
<u>491,073.81</u>	<u>2,272,562.92</u>	<u>1,249,609.36</u>	<u>13,422,772.33</u>
<u>\$ 675,344.83</u>	<u>\$ 2,279,819.71</u>	<u>\$ 1,361,881.66</u>	<u>\$ 15,211,193.34</u>

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total Fund Balances - Governmental Funds \$ 13,422,772.33

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. 51,626,894.54

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:

Obligations Under Capital Lease	\$ 108,294.02	
Installment Purchases Payable	1,465,821.29	
Bonds Payable	1,145,000.00	
Notes Payable	128,000.00	
Certificates of Participation Payable	2,109,275.00	
Other Postemployment Benefits Payable	1,173,633.00	
Compensated Absences Payable	3,355,256.48	
	(9,485,279.79)	

Total Net Assets - Governmental Activities \$ 55,564,387.08

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, 2010

	General Fund	Special Revenue - Other Fund	Special Revenue - ARRA Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 58,126.43	\$ 468,033.68	\$ 3,544,633.07
Federal Through State and Local	622,393.66	5,372,381.89	
State	27,926,610.12		
Local:			
Property Taxes	10,344,429.24		
Charges for Services	482,168.14		
Miscellaneous	625,348.61		
Total Revenues	<u>40,059,076.20</u>	<u>5,840,415.57</u>	<u>3,544,633.07</u>
Expenditures			
Current - Education:			
Instruction	21,756,991.50	3,762,175.18	3,006,807.06
Pupil Personnel Services	1,310,838.54	500,452.51	237,539.03
Instructional Media Services	668,249.09		
Instruction and Curriculum Development Services	325,874.41	331,157.60	29,907.39
Instructional Staff Training Services	241,465.29	961,200.54	53,405.47
Instruction Related Technology	254,198.18	19,330.00	
School Board	241,883.16		
General Administration	545,550.72	155,730.44	14,746.67
School Administration	2,879,073.25		
Facilities Acquisition and Construction			
Fiscal Services	440,023.88		
Food Services	9,467.86		
Central Services	508,689.14		
Pupil Transportation Services	2,661,353.80	44,114.16	40.00
Operation of Plant	2,953,274.53		
Maintenance of Plant	1,346,756.29		
Administrative Technology Services	247,255.36		
Community Services	47,388.38		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	16,547.20		6,000.00
Other Capital Outlay	49,084.10	66,255.14	196,187.45
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>36,503,964.68</u>	<u>5,840,415.57</u>	<u>3,544,633.07</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,555,111.52</u>		
Other Financing Sources (Uses)			
Transfers In	102,005.00		
Bonds Issued			
Premium on Bonds			
Payments to Bond Escrow Agent			
Inception of Installment Purchase			
Transfers Out			
Total Other Financing Sources (Uses)	<u>102,005.00</u>		
Net Change in Fund Balances	3,657,116.52		
Fund Balances, Beginning	5,752,409.72		
Fund Balances, Ending	<u>\$ 9,409,526.24</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Capital Projects - PECO Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		2,273,105.02	526,160.11
102,005.00		261,892.40	11,812,513.64
	2,460,457.79		28,290,507.52
		722,207.71	12,804,887.03
		5,638.05	1,204,375.85
<u>3,374.51</u>	<u>23,765.34</u>		<u>658,126.51</u>
<u>105,379.51</u>	<u>2,484,223.13</u>	<u>3,262,843.18</u>	<u>55,296,570.66</u>
			28,525,973.74
			2,048,830.08
			668,249.09
			686,939.40
			1,256,071.30
			273,528.18
			241,883.16
			716,027.83
			2,879,073.25
	946,520.00		946,520.00
			440,023.88
		2,597,693.14	2,607,161.00
			508,689.14
			2,705,507.96
			2,953,274.53
			1,346,756.29
			247,255.36
			47,388.38
746,500.05	102,705.27	217,106.95	1,088,859.47
	2,168,435.24	9,680.52	2,489,642.45
	528,879.35	125,000.00	653,879.35
	62,707.79	63,307.27	126,015.06
<u>746,500.05</u>	<u>3,809,247.65</u>	<u>3,012,787.88</u>	<u>53,457,548.90</u>
<u>(641,120.54)</u>	<u>(1,325,024.52)</u>	<u>250,055.30</u>	<u>1,839,021.76</u>
		130,635.00	232,640.00
		100,000.00	100,000.00
		8,274.90	8,274.90
		(107,366.89)	(107,366.89)
	1,815,712.00		1,815,712.00
<u>(102,005.00)</u>	<u>(130,635.00)</u>		<u>(232,640.00)</u>
<u>(102,005.00)</u>	<u>1,685,077.00</u>	<u>131,543.01</u>	<u>1,816,620.01</u>
(743,125.54)	360,052.48	381,598.31	3,655,641.77
1,234,199.35	1,912,510.44	868,011.05	9,767,130.56
<u>\$ 491,073.81</u>	<u>\$ 2,272,562.92</u>	<u>\$ 1,249,609.36</u>	<u>\$ 13,422,772.33</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, 2010**

Net Change in Fund Balances - Governmental Funds **\$ 3,655,641.77**

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. (265,236.75)

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. 480,337.77

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. (26,344.42)

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. 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 proceeds exceed repayments in the current period.

Issuance of Bonds	\$	(100,000.00)	
Inception of Installment Purchase		(1,815,712.00)	
Installment Purchase Payable Payments		349,890.71	
Notes Payable Payments		128,000.00	
Bonds Payable Payments		230,000.00	
Capital Lease Payments		50,988.64	
		(1,156,832.65)	

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period. (101,033.61)

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year. (560,053.00)

Change in Net Assets - Governmental Activities **\$ 2,026,479.11**

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, 2010**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 575,832.00
LIABILITIES	
Internal Accounts Payable	\$ 575,832.00

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

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

- **Blended Component Unit.** The Suwannee County School Board Leasing Corporation, Inc. (Leasing Corporation), was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 7. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.
- **Discretely Presented Component Unit.** The component unit columns in the government-wide financial statements include the financial data of the 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, i.e., the statement of net assets and the statement of activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units.

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

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

depreciation expense is not readily associated with a particular function and is reported as unallocated.

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

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

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

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.

Government-wide financial statements are prepared using the accrual basis of accounting, as are fiduciary funds financial statements. Revenues are recognized when earned and expenses are

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime 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., 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, 2010, 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 donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when purchased during the year, and are adjusted at fiscal year-end to reflect year-end physical inventories.

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

➤ **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. Governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

➤ **State Revenue Sources**

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions

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

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

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

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

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

➤ **District Property Taxes**

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

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

The Board adopted the 2009 tax levy on September 3, 2009. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

3. INVESTMENTS

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

Investments	Maturities	Fair Value
State Board of Administration Debt Service Accounts	6 Months	\$ 33,971.25
United States Instrumentality Obligations - FHLMC Discount Notes (1)	12/15/2010	269,509.53
Total Investments		<u>\$ 303,480.78</u>

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

- The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the

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

Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The Districts 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 interest rate risk and 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 the trustee in the name of the District in connection with the District's Qualified Zone Academy Bonds.

Concentration of Credit Risk

- The District does not have a formal investment policy that limits the amount the District may invest in any one issuer. Eighty-nine percent of the District's investments totaling \$269,509.53 are in the 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
JUNE 30, 2010**

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,178,642.95	\$	\$	\$ 1,178,642.95
Construction in Progress	2,584,550.71		2,584,550.71	
Total Capital Assets Not Being Depreciated	3,763,193.66		2,584,550.71	1,178,642.95
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	3,577,194.37	1,182,101.96		4,759,296.33
Buildings and Fixed Equipment	66,884,544.51	2,926,914.88		69,811,459.39
Furniture, Fixtures, and Equipment	6,531,931.75	701,365.53	523,224.40	6,710,072.88
Motor Vehicles	4,661,730.95	1,814,102.00	131,013.00	6,344,819.95
Property Under Capital Lease	344,043.00			344,043.00
Audio Visual Materials and Computer Software	389,339.92	4,998.00	188,696.75	205,641.17
Total Capital Assets Being Depreciated	82,388,784.50	6,629,482.37	842,934.15	88,175,332.72
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,588,056.29	387,794.52		2,975,850.81
Buildings and Fixed Equipment	23,329,541.58	2,366,818.84		25,696,360.42
Furniture, Fixtures, and Equipment	5,006,554.87	599,930.63	494,921.13	5,111,564.37
Motor Vehicles	3,350,044.62	452,668.69	131,013.00	3,671,700.31
Property Under Capital Lease	68,808.60	17,202.15		86,010.75
Audio Visual Materials and Computer Software	370,834.26	5,415.81	190,655.60	185,594.47
Total Accumulated Depreciation	34,713,840.22	3,829,830.64	816,589.73	37,727,081.13
Total Capital Assets Being Depreciated, Net	47,674,944.28	2,799,651.73	26,344.42	50,448,251.59
Governmental Activities Capital Assets, Net	\$ 51,438,137.94	\$ 2,799,651.73	\$ 2,610,895.13	\$ 51,626,894.54

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

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

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 452,668.69
Unallocated	3,377,161.95
Total Depreciation Expense - Governmental Activities	\$ 3,829,830.64

5. 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 follow:

Fiscal Year Ending June 30	Total	Principal	Interest
2011	\$ 56,431.92	\$ 53,066.00	\$ 3,365.92
2012	56,431.92	55,228.02	1,203.90
Total Minimum Lease Payments	\$ 112,863.84	\$ 108,294.02	\$ 4,569.82

The stated interest rate is 4 percent.

6. INSTALLMENT PURCHASE PAYABLE

Twenty school buses with an asset balance of \$1,815,712 are being acquired under an installment purchase agreement. Future minimum installment purchase payments and the present value of the minimum installment payments as of June 30 are as follow:

Fiscal Year Ending June 30	Total	Principal	Interest
2011	\$ 401,367.05	\$ 346,515.45	\$ 54,851.60
2012	401,367.05	359,482.19	41,884.86
2013	401,367.05	372,934.15	28,432.90
2014	401,367.05	386,889.50	14,477.55
Total Minimum Lease Payments	\$ 1,605,468.20	\$ 1,465,821.29	\$ 139,646.91

The stated interest rate is 3.68 percent.

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

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, 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 forwarded delivery agreement under which mandatory deposits (rent payments) of \$131,078 for 14 consecutive years begin 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 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:

<u>First Federal Savings Bank of Florida</u>	<u>Balance at June 30</u>
\$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.	<u>\$ 128,000.00</u>

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
<u>2011</u>	<u>\$ 130,234.32</u>	<u>\$ 128,000.00</u>	<u>\$ 2,234.32</u>

9. BONDS PAYABLE

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005B, Refunding	\$ 1,065,000.00	5.0	2018
Series 2009A, Refunding	<u>80,000.00</u>	2.0 - 5.0	2019
Total Bonds Payable	<u>\$ 1,145,000.00</u>		

These bonds were issued by the State Board of Education to finance capital outlay projects 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.

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2011	\$ 176,850.00	\$ 120,000.00	\$ 56,850.00
2012	176,050.00	125,000.00	51,050.00
2013	174,900.00	130,000.00	44,900.00
2014	178,500.00	140,000.00	38,500.00
2015	181,500.00	150,000.00	31,500.00
2016-2019	<u>529,500.00</u>	<u>480,000.00</u>	<u>49,500.00</u>
Total State School Bonds	<u>\$ 1,417,300.00</u>	<u>\$ 1,145,000.00</u>	<u>\$ 272,300.00</u>

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

10. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Obligations Under Capital Lease	\$ 159,282.66	\$	\$ 50,988.64	\$ 108,294.02	\$ 53,066.00
Installment Purchases Payable		1,815,712.00	349,890.71	1,465,821.29	346,515.45
Notes Payable	256,000.00		128,000.00	128,000.00	128,000.00
Bonds Payable	1,275,000.00	100,000.00	230,000.00	1,145,000.00	120,000.00
Certificates of Participation Payable	2,109,275.00			2,109,275.00	
Compensated Absences Payable	3,254,222.87	484,319.86	383,286.25	3,355,256.48	1,352,925.31
Other Postemployment Benefits Payable	613,580.00	1,162,283.00	602,230.00	1,173,633.00	
Total Governmental Activities	<u>\$ 7,667,360.53</u>	<u>\$ 3,562,314.86</u>	<u>\$ 1,744,395.60</u>	<u>\$ 9,485,279.79</u>	<u>\$ 2,000,506.76</u>

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

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	\$ 28,568.62	\$ 3,200.83
Special Revenue:		
Other	43,990.00	25,234.51
ARRA Economic Stimulus		47,249.28
Capital Projects:		
Public Education Capital Outlay		184,271.02
Local Capital Improvement	3,126.00	
Nonmajor Governmental	184,271.02	
Total	<u>\$ 259,955.64</u>	<u>\$ 259,955.64</u>

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

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 102,005.00	\$
Capital Projects:		
Public Education Capital Outlay		102,005.00
Local Capital Improvement		130,635.00
Nonmajor Governmental	130,635.00	
Total	<u>\$ 232,640.00</u>	<u>\$232,640.00</u>

Transfers were made to move restricted capital outlay revenues to offset eligible expenditures in the General Fund and to provide the required sinking fund payment related to the Qualified Zone Academy Bonds to a nonmajor debt service fund.

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 2010-11 fiscal year budget as a result of purchase orders outstanding at June 30, 2010.

Because revenues of grants accounted for in the Special Revenue – Other Fund and the Special Revenue – ARRA Economic Stimulus Funds are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund and the Special Revenue – ARRA Economic Stimulus Funds total \$141,092.97 and \$162,749.66, respectively, at June 30, 2010.

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

13. SCHEDULE OF STATE REVENUE SOURCES

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 19,854,164.00
Categorical Educational Program - Class Size Reduction	6,014,631.00
Workforce Development Program	911,763.00
School Recognition	263,135.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	214,412.76
Gross Receipts Tax (Public Education Capital Outlay)	102,005.00
Mobile Home License Tax	67,484.70
Food Service Supplement	50,657.00
Discretionary Lottery Funds	15,273.00
Miscellaneous	796,982.06
 Total	 <u><u>\$ 28,290,507.52</u></u>

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

14. PROPERTY TAXES

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

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.323	\$ 8,903,488
Basic Discretionary Local Effort	0.498	832,977
Supplemental Discretionary Local Effort	0.250	418,161
Critical Operating Needs	0.250	418,161
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,508,967
 Total	 <u><u>7.821</u></u>	 <u><u>\$ 13,081,754</u></u>

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.

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

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

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

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

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.

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

FRS Retirement Contribution Rates

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

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

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

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions to the Plan for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$2,692,308.03, \$2,540,117.34, and \$2,637,215.32, respectively, which were equal to the required contributions for each fiscal year. There were 73 PEORP participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled \$280,839.31.

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 PAYABLE

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, 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

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

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. Plan contribution requirements of the District and Plan members are established and may be amended action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 87 retirees received other postemployment benefits and 199 received life insurance benefits. The District provided required contributions of \$602,230 toward the annual OPEB cost, net of retiree contributions totaling \$264,952, 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 fiscal year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Description	Amount
Normal Cost (service cost for one year)	\$ 537,777
Amortization of Unfunded Actuarial Accrued Liability	587,097
Interest on Normal Cost and Amortization	45,912
Annual Required Contribution	1,170,786
Interest on Net OPEB Obligation	20,248
Adjustment to Annual Required Contribution	(28,751)
Annual OPEB Cost (Expense)	1,162,283
Contribution Toward the OPEB Cost	(602,230)
Increase in Net OPEB Obligation	560,053
Net OPEB Obligation, Beginning of Year	613,580
Net OPEB Obligation, End of Year	<u>\$ 1,173,633</u>

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2010 and the preceding year, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2008	\$ 0	0.0%	\$ 0
2008-09	1,129,465	45.7%	613,580
2009-10	1,162,283	51.8%	1,173,633

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, 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.

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, 2010 and the District's 2009-10 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 for the 2008-09 fiscal year, 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, 2010, was 18 years.

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

17. 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 coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

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

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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, 2010**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 50,000.00	\$ 50,000.00	\$ 58,126.43	\$ 8,126.43
Federal Through State and Local	100,000.00	270,551.97	622,393.66	351,841.69
State	27,232,460.60	28,733,928.96	27,926,610.12	(807,318.84)
Local:				
Property Taxes	9,963,225.00	9,963,223.00	10,344,429.24	381,206.24
Charges for Services			482,168.14	482,168.14
Miscellaneous	666,029.08	927,367.38	625,348.61	(302,018.77)
Total Revenues	38,011,714.68	39,945,071.31	40,059,076.20	114,004.89
Expenditures				
Current - Education:				
Instruction	22,608,727.00	24,380,908.38	21,756,991.50	2,623,916.88
Pupil Personnel Services	1,239,132.00	1,354,494.76	1,310,838.54	43,656.22
Instructional Media Services	685,518.00	683,331.59	668,249.09	15,082.50
Instruction and Curriculum Development Services	362,145.00	398,410.27	325,874.41	72,535.86
Instructional Staff Training Services	276,218.00	283,402.31	241,465.29	41,937.02
Instruction Related Technology	110,820.00	293,967.58	254,198.18	39,769.40
School Board	264,237.00	271,288.37	241,883.16	29,405.21
General Administration	1,598,833.00	1,384,662.55	545,550.72	839,111.83
School Administration	2,889,703.00	2,944,899.62	2,879,073.25	65,826.37
Facilities Acquisition and Construction		39,003.00		39,003.00
Fiscal Services	531,983.00	464,996.40	440,023.88	24,972.52
Food Services	4,000.00	11,868.05	9,467.86	2,400.19
Central Services	700,779.00	749,029.65	508,689.14	240,340.51
Pupil Transportation Services	3,092,252.00	3,086,936.66	2,661,353.80	425,582.86
Operation of Plant	4,432,809.00	4,537,958.93	2,953,274.53	1,584,684.40
Maintenance of Plant	1,431,489.00	1,522,644.66	1,346,756.29	175,888.37
Administrative Technology Services	163,593.00	261,697.88	247,255.36	14,442.52
Community Services	47,603.00	47,603.00	47,388.38	214.62
Fixed Capital Outlay:				
Facilities Acquisition and Construction		16,547.20	16,547.20	
Other Capital Outlay		49,084.10	49,084.10	
Total Expenditures	40,439,841.00	42,782,734.96	36,503,964.68	6,278,770.28
Excess (Deficiency) of Revenues Over Expenditures	(2,428,126.32)	(2,837,663.65)	3,555,111.52	6,392,775.17
Other Financing Sources				
Transfers In	102,005.00	102,005.00	102,005.00	
Net Change in Fund Balances	(2,326,121.32)	(2,735,658.65)	3,657,116.52	6,392,775.17
Fund Balances, Beginning	5,752,409.72	5,752,409.72	5,752,409.72	
Fund Balances, Ending	\$ 3,426,288.40	\$ 3,016,751.07	\$ 9,409,526.24	\$ 6,392,775.17

Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 6,688,444.00	\$ 7,580,384.98	\$ 468,033.68 5,372,381.89	\$ 468,033.68 (2,208,003.09)
6,688,444.00	7,580,384.98	5,840,415.57	(1,739,969.41)
4,389,291.00	4,924,119.73	3,762,175.18	1,161,944.55
660,519.00	662,851.84	500,452.51	162,399.33
352,275.00	434,963.88	331,157.60	103,806.28
987,724.00	1,206,538.83	961,200.54	245,338.29
44,000.00	44,000.00	19,330.00	24,670.00
197,751.00	185,746.16	155,730.44	30,015.72
56,884.00	55,909.40	44,114.16	11,795.24
	66,255.14	66,255.14	
6,688,444.00	7,580,384.98	5,840,415.57	1,739,969.41
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

	Special Revenue - ARRA Economic Stimulus Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$	\$	\$	\$
Federal Through State and Local State	3,287,870.00	5,006,074.55	3,544,633.07	(1,461,441.48)
Local:				
Property Taxes				
Charges for Services				
Miscellaneous				
Total Revenues	<u>3,287,870.00</u>	<u>5,006,074.55</u>	<u>3,544,633.07</u>	<u>(1,461,441.48)</u>
Expenditures				
Current - Education:				
Instruction	2,685,258.00	4,024,440.23	3,006,807.06	1,017,633.17
Pupil Personnel Services	355,520.00	569,401.50	237,539.03	331,862.47
Instructional Media Services				
Instruction and Curriculum Development Services	53,696.00	33,611.46	29,907.39	3,704.07
Instructional Staff Training Services	37,015.00	62,286.42	53,405.47	8,880.95
Instruction Related Technology School Board				
General Administration	17,881.00	40,423.39	14,746.67	25,676.72
School Administration				
Facilities Acquisition and Construction	86,000.00	889.60		889.60
Fiscal Services				
Food Services				
Central Services				
Pupil Transportation Services	52,500.00	72,834.50	40.00	72,794.50
Operation of Plant				
Maintenance of Plant				
Administrative Technology Services				
Community Services				
Fixed Capital Outlay:				
Facilities Acquisition and Construction		6,000.00	6,000.00	
Other Capital Outlay		196,187.45	196,187.45	
Total Expenditures	<u>3,287,870.00</u>	<u>5,006,074.55</u>	<u>3,544,633.07</u>	<u>1,461,441.48</u>
Excess (Deficiency) of Revenues Over Expenditures				
Other Financing Sources				
Transfers In				
Net Change in Fund Balances				
Fund Balances, Beginning				
Fund Balances, Ending	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - 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%

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

1. BUDGETARY BASIS OF ACCOUNTING

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 506,407.02
National School Lunch Program	10.555	300, 350	1,592,842.71
Summer Food Service Program for Children	10.559	323	69,454.29
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)(A)	None	104,401.00
Total Child Nutrition Cluster			2,273,105.02
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	85,110.40
Total United States Department of Agriculture			2,358,215.42
United States Department of Labor:			
Indirect:			
WIA Cluster:			
Florida Workforce, Inc.:			
WIA Adult Program	17.258	None	42,288.03
WIA Youth Activities	17.259	None	40,526.02
WIA Dislocated Workers	17.260	None	93,386.05
Total United States Department of Labor			176,200.10
United States Department of Education:			
Direct:			
Federal Pell Grant Program	84.063	N/A	468,033.68
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	1,293,067.53
Special Education - Preschool Grants	84.173	267	46,788.36
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	412,773.89
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	1,981.08
Total Special Education Cluster			1,754,610.86
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	2,221,683.92
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223, 226	916,203.81
Total Title I, Part A Cluster			3,137,887.73
Education for Homeless Children and Youth Cluster:			
Florida Department of Education:			
Education for Homeless Children and Youth	84.196	127	48,274.03
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	17,515.81
Total Education for Homeless Children and Youth Cluster			65,789.84
Educational Technology State Grants Cluster:			
Florida Department of Education:			
Education Technology State Grants	84.318	121,122	16,388.31
ARRA - Education Technology State Grants, Recovery Act	84.386	121	38,013.61
Total Educational Technology State Grants Cluster			54,401.92
State Fiscal Stabilization Fund Cluster:			
Florida Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	1,853,845.00
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	219,189.47
Total State Stabilization Fund Cluster			2,073,034.47
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	61,963.01
Migrant Education - State Grant Program	84.011	217	246,217.27
Career and Technical Education - Basic Grants to States	84.048	161	176,185.02
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	21,584.32
Twenty-First Century Community Learning Centers	84.287	244	641,382.84
Rural Education	84.358	110	162,505.31
English Language Acquisition Grants	84.365	102	36,683.42
Improving Teacher Quality State Grants	84.367	224	397,246.80
Total Indirect			8,829,492.81
Total United States Department of Education			9,297,526.49

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

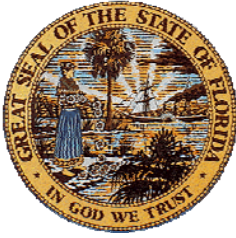
Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
Corporation for National and Community Service:			
Indirect:			
Florida Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	234	\$ 2,411.75
United States Department of Homeland Security:			
Indirect:			
Florida Division of Emergency Management:			
Hazard Mitigation Grant	97.039 (2)(B)	None	359,040.77
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	58,126.43
Total Expenditures of Federal Awards			\$ 12,251,520.96

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 received during the fiscal year. Donated foods 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 \$359,040.77.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534
FAX: 850-488-6975

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

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

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

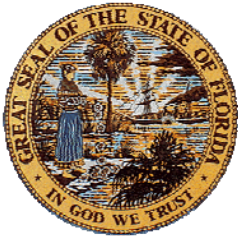
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

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
March 7, 2011



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534
FAX: 850-488-6975

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

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

Compliance

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

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

As described in Federal Awards Finding No. 1 in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, the District did not comply with requirements regarding Eligibility, Reporting, and Special Tests and Provisions, that are applicable to its Federal Pell Grant Program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

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

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we considered to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1 to be a material weakness.

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

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
March 7, 2011

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs except for the Federal Pell Grant Program (CFDA No. 84.063), which was qualified.
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB <i>Circular A-133</i> ?	Yes
Identification of major programs:	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389-ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391-ARRA, and 84.392-ARRA); Federal Pell Grant Program (CFDA No. 84.063); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394-ARRA and 84.397-ARRA)
Dollar threshold used to distinguish between Type A and Type B programs:	\$367,545
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, 2010**

ADDITIONAL MATTERS

Finding No. 1: Contractual Services

District nonsalary expenditures totaled approximately \$20.8 million during the 2009-10 fiscal year. We performed analytical procedures, and tested 25 expenditures totaling approximately \$200,000, to determine whether the District properly designed controls over the expenditure process and whether the controls were operating effectively. While District procedures were generally adequate to monitor expenditures, the District contracted with behavioral and physical therapists at negotiated hourly rates and procedures over payments for these services needed improvement, as follows:

- Payments totaling \$36,022.50 were made to a vendor for behavioral therapy services based on invoices listing hours and days worked, and students receiving services. However, District records did not evidence that District personnel with first-hand knowledge of the services confirmed that the services were received consistent with the contract terms and records, such as sign-in, sign-out time records, were not maintained to evidence these services were provided.
- Payments totaling \$18,947.50 were made to a vendor for physical therapy services based on invoices listing hours and days worked, and the vendor provided sign-in, sign-out time records for the services; however, time records submitted with invoices did not evidence that District personnel with first-hand knowledge of the services confirmed that the services were provided consistent with the contract terms.

Without evidence that contractual services were properly received before paying for services, the risk of overpayment increases and services may not be consistent with District intentions.

Recommendation: **The District should strengthen monitoring controls over contractual services to ensure that it properly receives services before it pays for them.**

Finding No. 2: Compensation – Extra-Pay

For the 2009-10 fiscal year, the District incurred expenditures for salaries and benefits totaling approximately \$32.7 million, including approximately \$646,000 for extra pay to compensate employees for work in addition to their regularly assigned duties. Noninstructional employees who performed such work up to 40 hours were to receive extra pay at their regular rate, or at one and one-half times their regular rate for work performed in excess of 40 hours. Instructional personnel who performed such work were to receive part-time pay at rates based on years of teaching experience. Instructional personnel were required to work 7.25 hours per workday, but the arrival and departure times varied based on employee workloads and preference. For example, the attendance of some employees may have been from 7:30 am to 2:45 pm while others may have worked from 8:00 am to 3:15 pm. The District established administrative procedures that provided guidelines for processing extra pay, and provided the procedures to the schools and departments. The procedures required that schools and departments submit payrolls for all employees,

signed by administrators, and supported by time records, as applicable; however, we noted that the procedures did not establish the documentation necessary to support extra pay or how often the documentation must be submitted.

Through analytical procedures and our initial test of 25 compensation expenditures, totaling approximately \$35,000, we determined that controls over compensation payments were generally adequate and properly supported. However, for one test item, the District documented an employee's total hours worked for extra pay, but not the timeframes that the employee provided the services. As a result, we expanded our review of extra pay timesheets to include all extra pay timesheets for all eight schools. The following exceptions were noted by our initial and expanded tests:

- At Suwannee Middle School, the District paid approximately \$116,000 for extra pay. While each school employee documented their total hours worked, the timeframes during which the services were provided were not listed. Without such, District records did not evidence that extra pay was for additional services beyond their regular job, increasing the risk for overpayment. For example, through discussions with District personnel and review of duty schedules, we noted that the regular work time for one instructor overlapped by half an hour with her extra duty time as coordinator of the afterschool program, resulting in potential overpayments of approximately \$2,580 for the 2009-10 fiscal year.
- At Suwannee Hamilton Technical Center (SHTC), the District paid approximately \$88,000 for extra pay; however, our review of extra pay timesheets for one payroll period disclosed that employee timesheets for extra pay did not contain evidence of supervisory review and approval in most instances.
- Additional review of payrolls for Suwannee Middle School and SHTC disclosed:
 - The District paid regular payrolls twice a month; however, four payrolls included extra pay timesheets for periods greater than a month, with one timesheet spanning a period in excess of eight months, increasing the risk of overpayment. For example, one employee's timesheet for the payroll period ending October 2009 included instances of time worked from February 2009 to June 2009, including 11.25 hours that the District had already paid for, resulting in an overpayment of \$270.
 - One employee received extra pay for performing after school activities during the same period that the employee attended five out-of-town conferences or meetings, resulting in overpayments of \$1,090.
 - The District provided an employee extra pay for afterschool program activities for two days that the school was closed for holidays, resulting in overpayments of \$163.
 - Two employees reported the same day worked on separate payrolls, resulting in overpayments of \$119 and \$82, respectively.

Without timely preparation, processing, and approval of extra pay timesheets, there is an increased risk of errors or fraud for such pay.

Recommendation: The District should establish procedures to ensure extra pay is consistently documented, including the timeframes of the services and supervisory approval, and regularly submitted for processing with other payrolls. In addition, the District should determine the extent of overpayments for extra pay, and obtain reimbursement as applicable.

Finding No. 3: Compensation and Salary Schedules

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

negotiation as provided in Chapter 447, Florida Statutes, and must allow differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

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

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

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

The instructional personnel salary schedule and union contract provided salary supplements for additional responsibilities beyond the standard work day, such as supplements for athletic and drama coaches and department chairpersons. Also, the salary schedule and union contract evidenced consideration of school demographics by providing additional compensation to instructional personnel for transferring to a "D" or "F" school; critical shortage areas for instructional personnel hired as exceptional student education teachers or reading coaches; and level of job performance difficulties for instructional personnel assigned to teacher mentor positions. Since the District did not have any "D" or "F" schools during the 2009-10 fiscal year, no additional compensation was paid to instructional personnel based on the school demographics factor. However, since the District had no "D" or "F" schools, the usefulness and relevance of the established differentiated pay factor for school demographics was not readily apparent.

- **School-based Administrators.** District personnel indicated that the school-based administrators' salary schedule evidenced consideration of differential pay for additional responsibilities, school demographics, and level of job performance difficulties by the differing administrative pay grades for elementary, middle, and high schools based on the type school. The District's salary schedule also evidenced consideration of critical shortage areas for school-based administrators by providing for an incentive for transfer to a "D" or "F" school. District personnel further indicated, as similarly noted above, that since the District had no "D" or "F" schools during the 2009-10 fiscal year, no additional compensation was paid to school-based administrators based on the critical shortage factor. However, since the District had no "D" or "F" schools, the usefulness and relevance of the established differentiated pay factor for critical shortage areas was not readily apparent.

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

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

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 previous audits of the District, most recently in our report No. 2010-079, the District lacked written policies and procedures for the following IT functions:

- 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.
- Reporting suspected, and responding to actual, security incidents.
- Governing the proper storage, transmission, use, and format of sensitive and confidential information.

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 IT functions described above.

Finding No. 5: Information Technology – Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain security controls related to user authentication that needed improvement. We are not disclosing specific details of the issue in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issue. Without adequate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Education
Pass-Through Entity: Not Applicable
Award Number: P063P092955
Program: Federal Pell Grant Program (CFDA No. 84.063)
Finding Type: Material Noncompliance and Material Weakness
Questioned Costs: \$65,751

Special Provision – Administrative Capability. The District had expenditures totaling approximately \$468,000 to 133 students from the Federal Pell Grant Program (Pell) at Suwannee Hamilton Technical Center (SHTC) during the 2009-10 fiscal year. To continue participation in the program, Federal regulations require the District to demonstrate to the United States Department of Education (ED) that it is capable of adequately administering the Pell program under various standards established in Title 34, Section 668.16, Code of Federal Regulations (CFR). These administrative capability standards include, among other items:

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

The District employed two personnel to administer the program; however, one of the employees was on extended leave during the fiscal year, contributing to deficiencies in administering the Pell program. As shown in the following tabulation, and discussed below, our audit disclosed questioned costs totaling \$65,751:

Types of Questioned Costs	Questioned Costs
Financial Reporting	\$ 39,893
Special Tests and Provisions - Verification	23,617
Eligibility - Award Calculations	2,241
Total	<u>\$ 65,751</u>

These questioned costs, and control deficiencies and noncompliance in the District's administration of the Pell program discussed below, are likely attributable, in whole or in part, to inadequate administrative capability.

Financial Reporting. Pursuant to the May 26, 2010, Federal Register, updated on June 8, 2010, the District was required to report all disbursements and adjustments for the 2009-10 award year to ED by September 30, 2010. The District elected to report this information through the common origination and disbursement (COD) system; however, District records did not evidence reconciliations of the COD system and SHTC's accounting and financial aid records for the 2009-10 fiscal year. The COD system is a streamlined method for processing, storing, and reconciling Pell financial aid information. Origination records include the student's award amount and disbursement record reports, actual disbursement dates, and amount for each disbursement made.

Our review disclosed that SHTC did not have procedures for reconciling award and disbursement amounts reported in the COD system with the school's award and disbursement records to ensure the accuracy of information provided to ED through COD. Our review of Pell disbursements for 20 students disclosed differences between the award and disbursement amounts, as follows:

- District personnel made enrollment status changes to awards, affecting disbursements to four students, but did not update the COD system for these changes, resulting in overstatements of \$6,654 in the COD system.
- Because of a clerical error in calculating the disbursement amount, District personnel overawarded one student \$1,350, resulting in disbursements exceeding the amount awarded in the COD system, and questioned costs of \$1,350. This questioned cost amount is also included in the questioned costs of \$2,241 addressed under the header, **Eligibility – Award Calculations**, below.

We expanded our review of COD disbursement records by comparing disbursements for all 133 students in the COD system to actual disbursements in the District records, and noted differences for 26 additional students, as follows:

- For 10 students, District records did not evidence any disbursements, although the COD system indicated disbursements totaling \$22,192 to these students.
- For 16 students, District records indicated disbursements totaling \$39,893 to students who were not reported in the COD system. Consequently, the District was ineligible to receive Pell program funding for these students, resulting in \$39,893 of questioned costs.

Title 34, Section 668.164, CFR, defines the disbursement date as the date the District makes a disbursement to a student's account at the District or pays a student directly. For 34 of 36 disbursements to the 20 students in our sample, the disbursement date as recorded in the COD system did not agree to the date the funds were credited to the student's account or paid directly to the student. We noted differences between the date recorded in the COD system and the date of disbursement to the student or the student's account ranging from 52 days prior to disbursement to 29 days after disbursement. Because several regulatory requirements are based on that date, including when the student becomes a Federal student aid (FSA) recipient and has the rights and responsibilities of a FSA recipient, it is important to properly enter the disbursement date in the COD system. Incorrect disbursement dates recorded in the COD system increases the risk that students may not receive additional Federal program funding to which they are entitled.

Special Tests and Provisions – Verification. Title 34, Sections 668.51 through 668.61, CFR, require applicants selected by ED for verification to provide documentation to the District supporting information used in determining the applicant's expected family contribution, which generally includes income, number of family members, number of family members attending postsecondary educational institutions, and the applicant's dependency status. If the applicant does not provide the requested information, the student forfeits the Pell grant, and must return any payments received for that award year.

Our tests of 20 student applications disclosed that ED selected 11 of the 20 applications for verification; however, District records did not evidence that 6 of the 11 applications were verified, and 2 of the 5 remaining verifications were incomplete. SHTC made disbursements throughout the 2009-10 award year to these 8 students, totaling \$23,617, which represent questioned costs subject to disallowance by the grantor.

Eligibility – Award Calculations. Title 34, Sections 690.62 and 690.63(e), CFR, provide guidance on calculating Pell grant awards. However, the District did not have procedures in place to correctly calculate Pell awards in all instances, as follows:

- For students enrolled in clock-hour programs whose program year was less than an academic year, the Pell awards were incorrectly calculated using an outdated double-proration formula. Although regulations

changed during the 2007-08 award year, the District did not revise the formulas in accordance with the new regulations. Our test of 20 students disclosed 3 instances in which student awards were not calculated correctly, resulting in underawards totaling \$3,567.

- Because District personnel calculated the Pell grant award for two students using the incorrect expected family contribution amount and incorrect number of clock hours, the students were overawarded \$2,241, representing questioned costs subject to disallowance by the grantor. This questioned cost amount includes the \$1,350 addressed under the heading, **Financial Reporting**, above.

Special Tests and Provisions – Disbursements. For clock-hour programs, the FSA Handbook requires that students receive the first disbursement upon start of the program or academic year. However, for 13 of the 36 disbursements to the 20 students in our test, SHTC did not make the initial disbursements to the students until the student had attended 60 percent of the hours in the payment period. Although SHTC personnel indicated that the funds were not disbursed timely to avoid having to collect unearned funds previously disbursed should students subsequently withdraw from class, this would not exempt SHTC from following the requirements of the FSA Handbook.

Special Test and Provisions – Post-Withdrawal Disbursements. Title 34, Section 668.22, CFR, requires the District to determine the amount of Pell program funds that students earned as of the student's withdrawal date. In addition, the District must disburse earned but unpaid Pell program funds to a student who withdraws prior to receiving Pell program funds in accordance with Title 34, Section 668.22(a)(5)(ii)(B)(1), CFR.

The SHTC's student financial aid handbook contained policies addressing post-withdrawal disbursements; however, the District did not have procedures in place to accurately calculate or offer post-withdrawal disbursements for four of the six students tested who received Pell program funds and withdrew during the 2009-10 fiscal year, as follows:

- For two of the student withdrawals, the District canceled the student disbursement checks and retained 100 percent of institutional charges, although the District owed post-withdrawal disbursements to these two students totaling \$748.
- For two additional student withdrawals, the entire Pell award was cancelled in the District records, and no institutional charges were retained nor were any post-withdrawal disbursements made to the students even though they attended 210 hours and 143 hours, respectively, during the payment period. Consequently, the District owed post-withdrawal disbursements to these two students totaling \$2,001.

Recommendation: The District should make appropriate changes to meet the Federal administrative capability requirements of the Pell program. Also, the District should establish adequate procedures over the program to ensure that program receipts and disbursements are consistent with Federal requirements, and document to the grantor (United States Department of Education) the allowability of questioned costs, totaling \$65,751, or restore these moneys to the Pell program. In addition, the District should contact the grantor to resolve amounts due to eligible students for underawards and unprocessed post-withdrawal disbursements, totaling \$3,567 and \$2,749, respectively.

District Contact Person: Vickie Music, Chief Financial Officer

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2010-079.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

*SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010*

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

Audit Report No. and Federal Awards Finding No.	Program / Area	Brief Description	Status	Comments
2010-079 (1)	Title I, Part A Grants to Local Educational Agencies (CFDA No. 84.010) and School Improvement Grants (CFDA No. 84.377) / Allowable Costs/Cost Principles	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.	Partially Corrected.	The District's response to grantor regarding questioned costs is still under review.
2010-079 (2)	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)	The District did not have the necessary controls in place to verify that, for certain Federal transactions, vendors were not suspended or debarred.	Corrected.	The District has implemented procedures to determine that vendors have not been suspended or debarred prior to entering into contracts.

EXHIBIT A
MANAGEMENT'S RESPONSE

SUWANNEE COUNTY SCHOOL BOARD



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

JERRY A. SCARBOROUGH
Superintendent of Schools

JERRY TAYLOR
DISTRICT 1

MURIEL OWENS
DISTRICT 2

JULIE ULMER
DISTRICT 3

ED DA SILVA
DISTRICT 4

J. M. HOLTZCLAW
DISTRICT 5

LEONARD J. DIETZEN, III
BOARD ATTORNEY

March 7, 2011

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, 2010.

Finding No. 1: Contractual Services

The District will strengthen monitoring controls over contractual services to ensure that it properly receives services before it pays for them. The District accepts the Auditor General's finding and will monitor accordingly.

Finding No. 2: Compensation – Extra Pay

The District will establish procedures to ensure extra pay is consistently documented, including the timeframes of the services and supervisory approval, and regularly submitted for processing with other payrolls.

Finding No. 3: Compensation and Salary Schedules

The District will collectively bargain in order to adopt policies and procedures to ensure that a portion of each instructional employee's compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c), Florida Statutes.

EXHIBIT A
MANAGEMENT'S RESPONSE (CONTINUED)

Mr. David W. Martin, CPA
Auditor General
March 7, 2011
Page 2

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

The District will further enhance its written policies and procedures to document management's expectations for the performance of the IT functions.

Finding No. 5: Information Technology – Security Controls – User Authentication

The District will improve the security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

Federal Award Findings and Questioned Costs

Finding No. 1:

The District accepts the Auditor General's finding related to the Federal Pell Grant program. The District will make appropriate changes to meet the Federal administrative capability requirements of the Pell program. Furthermore, the District will establish adequate procedures over the program to ensure that program receipts and disbursements are consistent with Federal requirements going forward. The District will also contact the grantor to resolve amounts due to eligible students for underawards and unprocessed post-withdrawal disbursements.

The Suwannee County District School Board accepts your comments and recommendations with regard to its fiscal year 2009-2010 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