REPORT NO. 2015-111
MARCH 2015

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2014

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2013-14 fiscal year are listed below:

	District No.
Jerry Taylor, Chair	1
Catherine Cason	2
Julie B. Ulmer	3
Ed daSilva, Vice Chair	4
J.M. Holtzclaw	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 Nicole Lee, and the audit was supervised by Cathy L. Bandy, CPA. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

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) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

SUWANNEE COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS

PAGE NO.

EXECUTIVE SUMMARY i

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements 1

Other Reporting Required by *Government Auditing Standards* 3

MANAGEMENT'S DISCUSSION AND ANALYSIS 4

BASIC FINANCIAL STATEMENTS

Statement of Net Position 10

Statement of Activities 11

Balance Sheet – Governmental Funds 12

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 14

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 16

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 18

Statement of Fiduciary Assets and Liabilities – Fiduciary Funds 19

Notes to Financial Statements 20

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General and Major Special Revenue Funds 40

Schedule of Funding Progress – Other Postemployment Benefits Plan 42

Notes to Required Supplementary Information 43

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 44

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* 45

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE 47

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 49

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS 53

EXHIBIT A MANAGEMENT'S RESPONSE 54

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: The District needed to strengthen its controls to ensure that required background screenings are timely performed for District employees.

Finding No. 2: Procedures could be enhanced to ensure the eligibility of students enrolled in the District's virtual instruction program (VIP).

Finding No. 3: District records did not evidence that timely, written notifications were provided to parents about student opportunities to participate in the District's VIP and open enrollment period dates.

Finding No. 4: The District needed to enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster, Federal Pell Grant Program, and Twenty-First Century Community programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

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. 2014-087.**

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, 2014. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We

also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

PHONE: 850-412-2722
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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Suwannee County District School Board, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 27 percent of the assets and 97 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us and our opinion, insofar as it relates to the amounts included for the school internal funds, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments,

the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for the Suwannee County District School Board as of June 30, 2014, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 5, 2015

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, 2014. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013-14 fiscal year are as follows:

- The District's total net position decreased by $4,064,544, or 9.3 percent.
- General revenues total $48,367,612, or 92.3 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $4,020,660, or 7.7 percent of all revenues.
- The sum of the assigned and unassigned fund balances of the General Fund, representing the net current financial resources available for general appropriations by the Board, was $3,242,989 at June 30, 2014, or 7.6 percent of total General Fund expenditures. The prior fiscal year assigned and unassigned fund balances in the General Fund were $4,655,681, or 11.3 percent of total General Fund expenditures.
- At the end of the current fiscal year, the fund balance of the General Fund totals $3,999,121, which is $1,366,131 less than the prior fiscal year balance.
- The District issued new debt during the 2013-14 fiscal year in the amount of $316,000; however, total debt decreased by $210,890, or 6.5 percent mainly due to the scheduled repayment of outstanding debt.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component unit – The Suwannee County School Board Leasing Corporation (Leasing Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and

equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

Fund Financial Statements

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

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

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

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

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

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

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2014, compared to net position as of June 30, 2013:

Net Position, End of Year

	Governmental Activities	
	6-30-14	6-30-13
Current and Other Assets	$ 9,736,532	$ 11,482,668
Capital Assets	40,255,020	42,365,283
Total Assets	49,991,552	53,847,951
Long-Term Liabilities	8,596,233	8,517,954
Other Liabilities	1,629,172	1,499,306
Total Liabilities	10,225,405	10,017,260
Net Position:		
Net Investment in Capital Assets	37,199,745	39,099,118
Restricted	4,590,666	5,073,771
Unrestricted Deficit	(2,024,264)	(342,198)
Total Net Position	$ 39,766,147	$ 43,830,691

The largest portion of the District's net position (93.6 percent) is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position (11.5 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net position may be used to meet the District's ongoing obligations to students, employees, and creditors; however, this portion was negative (5.1 percent) at June 30, 2014.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2014, and June 30, 2013, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-14	6-30-13
Program Revenues:		
Charges for Services	$ 867,096	$ 1,114,030
Operating Grants and Contributions	2,943,895	2,549,218
Capital Grants and Contributions	209,669	214,571
General Revenues:		
Property Taxes, Levied for Operational Purposes	8,946,363	9,628,628
Property Taxes, Levied for Capital Projects	2,342,533	2,347,342
Grants and Contributions Not Restricted to Specific Programs	36,019,901	32,910,917
Unrestricted Investment Earnings	46,997	58,065
Miscellaneous	1,011,818	729,447
Total Revenues	52,388,272	49,552,218
Functions/Program Expenses:		
Instruction	30,054,801	28,336,807
Student Personnel Services	1,995,133	2,054,429
Instructional Media Services	750,409	684,917
Instruction and Curriculum Development Services	1,149,149	1,268,759
Instructional Staff Training Services	745,186	888,878
Instruction Related Technology	545,081	465,960
School Board	365,746	315,688
General Administration	762,911	668,254
School Administration	3,174,348	3,079,076
Facilities Acquisition and Construction	1,182,557	1,216,891
Fiscal Services	407,124	393,629
Food Services	3,174,321	2,979,646
Central Services	267,186	384,980
Student Transportation Services	3,184,978	3,350,072
Operation of Plant	3,655,229	3,430,844
Maintenance of Plant	1,117,606	1,082,875
Administrative Technology Services	295,837	292,354
Community Services	9,847	51,089
Unallocated Interest on Long-Term Debt	55,697	76,096
Unallocated Depreciation Expense	3,537,599	3,399,064
Loss on Disposal of Capital Assets	22,071	319,664
Total Functions/Program Expenses	56,452,816	54,739,972
Change in Net Position	(4,064,544)	(5,187,754)
Net Position - Beginning	43,830,691	49,018,445
Net Position - Ending	$ 39,766,147	$ 43,830,691

The largest revenue source is the State of Florida (58.1 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 increased by $3,108,984, or 9.4 percent, primarily due to increased funding from the FEFP.

Instruction expenses represent 53.2 percent of total governmental expenses in the 2013-14 fiscal year. Expenses increased by $1,712,844, or 3.1 percent, from the previous fiscal year, primarily due to increases in instructional salaries.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is $2,992,762, while the total fund balance is $3,999,121. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is approximately 7.9 percent of the total General Fund revenues, while total fund balance represents approximately 9.7 percent of total General Fund revenues.

Total fund balance decreased by $1,366,131 during the fiscal year, due primarily to sustaining salaries and benefits costs of instructional staff paid by Federal stimulus programs in prior fiscal years and the adjustments to the salary schedule to prepare for implementation of a performance based salary schedule required for the 2014-15 fiscal year.

The Special Revenue – Other Fund has total revenues and expenditures of $5,503,985 each and is used to account for certain Federal grant program resources. Because grant revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Local Capital Improvement (LCI) Fund has a total fund balance of $2,113,603. These funds are restricted for the acquisition, construction, and maintenance of capital assets. Of the total fund balance, $1,612,034 has been encumbered for specific LCI projects. The District did not receive Public Education Capital Outlay funds from the State in the 2013-14 fiscal year and the funding source for capital project needs, as identified in the Five-Year work plan, is the LCI fund. As a result, the fund balance decreased $489,891 in the current fiscal year due to the funding of current capital outlay projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2013-14 fiscal year, the District amended its General Fund budget several times; however, final budgeted amounts were in line with original budgeted amounts.

Actual revenues are in line with the final budgeted amounts. Overall, the District's General Fund expenditures were $3,016,874, or 6.6 percent, less than final budget amounts due to the District's efforts to limit expenditures including maintaining the vacancies in administrative personnel positions; consolidation of District-level departments; cutoff of all nonessential expenditures; adherence to strict budgetary controls; and conducting internal audits of utility services such as telephone and electricity usage. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $3,585,324.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2014, is $40,255,020 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

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

Long-Term Debt

At June 30, 2014, the District has total long-term debt outstanding of $3,055,275, comprised of bonds payable of $630,000, certificates of participation of $2,109,275, and note payable of $316,000.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the 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 POSITION
June 30, 2014

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 8,036,629.71
Investments	16,524.95
Accounts Receivable	28,217.46
Due from Other Agencies	513,361.49
Restricted Investments	840,838.04
Inventories	300,960.25
Capital Assets:	
Nondepreciable Capital Assets	1,805,565.98
Depreciable Capital Assets, Net	38,449,454.49
TOTAL ASSETS	49,991,552.37
LIABILITIES	
Salaries and Benefits Payable	580,876.60
Payroll Deductions and Withholdings	564,721.57
Accounts Payable	401,105.76
Construction Contracts Payable	16,200.00
Construction Contracts Payable - Retainage	36,770.22
Deposits Payable	29,498.24
Long-Term Liabilities:	
Portion Due Within One Year	616,415.20
Portion Due After One Year	7,979,817.80
TOTAL LIABILITIES	10,225,405.39
NET POSITION	
Net Investment in Capital Assets	37,199,745.47
Restricted for:	
Fuel Tax Rebate	282,597.98
Debt Service	857,362.99
Capital Projects	2,356,209.03
Food Service	894,666.94
Other Purposes	199,828.79
Unrestricted	(2,024,264.22)
TOTAL NET POSITION	$ 39,766,146.98

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, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 30,054,801.32	$ 493,176.62	$	$	$ (29,561,624.70)
Student Personnel Services	1,995,133.37				(1,995,133.37)
Instructional Media Services	750,408.59				(750,408.59)
Instruction and Curriculum Development Services	1,149,148.88				(1,149,148.88)
Instructional Staff Training Services	745,185.77				(745,185.77)
Instruction Related Technology	545,081.05				(545,081.05)
School Board	365,745.78				(365,745.78)
General Administration	762,910.72				(762,910.72)
School Administration	3,174,348.01				(3,174,348.01)
Facilities Acquisition and Construction	1,182,557.44	16,483.11		34,575.20	(1,131,499.13)
Fiscal Services	407,124.28				(407,124.28)
Food Services	3,174,321.17	244,713.59	2,943,894.51		14,286.93
Central Services	267,186.15				(267,186.15)
Student Transportation Services	3,184,978.42	68,690.42			(3,116,288.00)
Operation of Plant	3,655,228.76				(3,655,228.76)
Maintenance of Plant	1,117,605.67				(1,117,605.67)
Administrative Technology Services	295,836.94				(295,836.94)
Community Services	9,846.81	44,032.33			34,185.52
Unallocated Interest on Long-Term Debt	55,696.89			175,094.14	119,397.25
Unallocated Depreciation Expense*	3,537,599.06				(3,537,599.06)
Loss on Disposal of Capital Assets	22,070.68				(22,070.68)
Total Governmental Activities	$ 56,452,815.76	$ 867,096.07	$ 2,943,894.51	$ 209,669.34	(52,432,155.84)
General Revenues:					
Taxes:					
Property Taxes, Levied for Operational Purposes					8,946,363.00
Property Taxes, Levied for Capital Projects					2,342,533.58
Grants and Contributions Not Restricted to Specific Programs					36,019,900.95
Unrestricted Investment Earnings					46,996.61
Miscellaneous					1,011,817.99
Total General Revenues					48,367,612.13
Change in Net Position					(4,064,543.71)
Net Position - Beginning					43,830,690.69
Net Position - Ending					$ 39,766,146.98

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

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Special Revenue - Other Fund	Capital Projects - Local Capital Improvement Fund
ASSETS			
Cash and Cash Equivalents	$ 4,675,269.71	$ 308.92	$ 2,244,758.02
Investments			
Accounts Receivable	28,217.46		
Due from Other Funds	51,244.92	1,880.76	
Due from Other Agencies	369,501.69	129,952.50	465.29
Restricted Investments			
Inventories	273,705.03		
TOTAL ASSETS	$ 5,397,938.81	$ 132,142.18	$ 2,245,223.31
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	$ 522,611.69	$ 51,681.04	$
Payroll Deductions and Withholdings	564,721.57		
Accounts Payable	280,976.00	38,981.77	78,650.51
Construction Contracts Payable			16,200.00
Construction Contracts Payable - Retainage			36,770.22
Due to Other Funds	1,880.76	41,379.37	
Deposits Payable	28,628.24	100.00	
Total Liabilities	1,398,818.26	132,142.18	131,620.73
Fund Balances:			
Nonspendable:			
Inventories	273,705.03		
Restricted for:			
Fuel Tax Rebate	282,597.98		
Debt Service			
Capital Projects			2,113,602.58
Food Service			
Other Purposes	199,828.79		
Total Restricted Fund Balance	482,426.77		2,113,602.58
Assigned for:			
Employee Health Insurance	150,645.58		
Board Approved Budget Items	99,581.42		
Total Assigned Fund Balance	250,227.00		
Unassigned Fund Balance	2,992,761.75		
Total Fund Balances	3,999,120.55		2,113,602.58
TOTAL LIABILITIES AND FUND BALANCES	$ 5,397,938.81	$ 132,142.18	$ 2,245,223.31

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

Other Governmental Funds	Total Governmental Funds
$ 1,116,293.06	$ 8,036,629.71
16,524.95	16,524.95
	28,217.46
	53,125.68
13,442.01	513,361.49
840,838.04	840,838.04
27,255.22	300,960.25
$ 2,014,353.28	$ 9,789,657.58
$ 6,583.87	$ 580,876.60
	564,721.57
2,497.48	401,105.76
	16,200.00
	36,770.22
9,865.55	53,125.68
770.00	29,498.24
19,716.90	1,682,298.07
27,255.22	300,960.25
	282,597.98
857,362.99	857,362.99
242,606.45	2,356,209.03
867,411.72	867,411.72
	199,828.79
1,967,381.16	4,563,410.51
	150,645.58
	99,581.42
	250,227.00
	2,992,761.75
1,994,636.38	8,107,359.51
$ 2,014,353.28	$ 9,789,657.58

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014

Total Fund Balances - Governmental Funds		$ 8,107,359.51
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		40,255,020.47
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:		
Note Payable	$ 316,000.00	
Bonds Payable	630,000.00	
Certificates of Participation Payable	2,109,275.00	
Compensated Absences Payable	3,499,888.00	
Other Postemployment Benefits Payable	2,041,070.00	(8,596,233.00)
Net Position - Governmental Activities		$ 39,766,146.98

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

THIS PAGE INTENTIONALLY LEFT BLANK.

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	General Fund	Special Revenue - Other Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 58,658.46	$ 727,853.44	$
Federal Through State and Local	279,205.80	4,775,356.02	
State	30,178,827.23		
Local:			
Property Taxes	8,946,363.00		2,342,533.58
Charges for Services	622,382.48		
Miscellaneous	1,033,673.26	776.00	10,434.57
Total Local Revenues	10,602,418.74	776.00	2,352,968.15
Total Revenues	41,119,110.23	5,503,985.46	2,352,968.15
Expenditures			
Current - Education:			
Instruction	25,860,161.30	3,986,193.83	
Student Personnel Services	1,885,635.14	98,625.23	
Instructional Media Services	747,210.59		
Instruction and Curriculum Development Services	373,986.94	768,988.94	
Instructional Staff Training Services	308,140.81	433,741.96	
Instruction Related Technology	543,781.05		
School Board	364,762.78		
General Administration	561,978.22	198,675.50	
School Administration	3,156,612.01		
Facilities Acquisition and Construction	149,452.44		1,032,271.00
Fiscal Services	405,084.28		
Food Services	35,475.48		
Central Services	266,906.15		
Student Transportation Services	2,855,660.47	2,219.00	
Operation of Plant	3,647,607.76		
Maintenance of Plant	1,113,644.67		
Administrative Technology Services	294,517.94		
Community Services	9,785.81		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			1,244,015.01
Other Capital Outlay	186,830.51	15,541.00	68,578.27
Debt Service:			
Principal			386,889.50
Interest and Fiscal Charges			14,477.55
Total Expenditures	42,767,234.35	5,503,985.46	2,746,231.33
Deficiency of Revenues Over Expenditures	(1,648,124.12)		(393,263.18)
Other Financing Sources (Uses)			
Transfers In	281,993.00		
Note Issued			316,000.00
Transfers Out			(412,628.00)
Total Other Financing Sources (Uses)	281,993.00		(96,628.00)
Net Change in Fund Balances	(1,366,131.12)		(489,891.18)
Fund Balances, Beginning	5,365,251.67		2,603,493.76
Fund Balances, Ending	$ 3,999,120.55	$ 0.00	$ 2,113,602.58

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

Other Governmental Funds	Total Governmental Funds
$	$ 786,511.90
2,895,013.51	7,949,575.33
258,550.34	30,437,377.57
	11,288,896.58
244,713.59	867,096.07
13,930.77	1,058,814.60
258,644.36	13,214,807.25
3,412,208.21	52,388,272.05
	29,846,355.13
	1,984,260.37
	747,210.59
	1,142,975.88
	741,882.77
	543,781.05
	364,762.78
	760,653.72
	3,156,612.01
	1,181,723.44
	405,084.28
3,130,717.69	3,166,193.17
	266,906.15
	2,857,879.47
	3,647,607.76
	1,113,644.67
	294,517.94
	9,785.81
40,022.40	1,284,037.41
210,864.28	481,814.06
140,000.00	526,889.50
41,219.34	55,696.89
3,562,823.71	54,580,274.85
(150,615.50)	(2,192,002.80)
130,635.00	412,628.00
	316,000.00
	(412,628.00)
130,635.00	316,000.00
(19,980.50)	(1,876,002.80)
2,014,616.88	9,983,362.31
$ 1,994,636.38	$ 8,107,359.51

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, 2014

Net Change in Fund Balances - Governmental Funds		$ (1,876,002.80)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year.		(2,088,191.54)
The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.		(22,070.68)
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceed proceeds in the current fiscal year.		
Proceeds of Note	$ (316,000.00)	
Bonds Payable	140,000.00	
Installment Purchases Payable	386,889.50	210,889.50
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year.		(59,709.19)
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.		(229,459.00)
Change in Net Position - Governmental Activities		$ (4,064,543.71)

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
June 30, 2014

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 762,962.00
LIABILITIES	
Internal Accounts Payable	$ 762,962.00

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Suwannee County School District (District). All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions.

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 student transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The Suwannee County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of 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 legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading. Based on these criteria, the following blended component unit is included within the District's reporting entity.

Blended Component Unit. Blended component units, are in substance, part of the primary District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The Suwannee County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in note II.H.2. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

C. Basis of Presentation: Government-wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds and blended component unit. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the 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.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, and renovation and remodeling projects, and debt service payments on the note payable.

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.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between the funds included in governmental activities are eliminated in the preparation of the government-wide financial statements.

E. Basis of Accounting

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The agency funds have no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

F. Assets, Liabilities, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. At June 30, 2014, 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.

2. Investments

Investments consist of amounts placed in the State Board of Administration (SBA) debt service accounts for investment of debt service moneys and those made locally. Investments made locally consist of a United States Treasury Bill and are reported at fair value.

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

3. Inventories

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

4. Capital Assets

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

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

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

5. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

6. Net Position Flow Assumption

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

7. Fund Balance Flow Assumption

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

8. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balance at June 30, 2014.

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of 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 fiscal year when the adjustments are made.

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

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

3. District Property Taxes

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

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

The Board adopted the 2013 tax levy on September 3, 2013. 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.

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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.

4. Federal Revenue Sources

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

5. Compensated Absences

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

Cash balances from all funds are combined and invested to extent available. Earnings are allocated monthly to each fund balance on average daily balances.

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

B. Investments

As of June 30, 2014, the District had the following investments and maturities:

Investments	Maturities	Fair Value
SBA: Debt Service Accounts	6 Months	$ 16,524.95
United States Treasury Bill (1)	September 18, 2014	840,838.04
Total Investments		$ 857,362.99

Note: (1) This investment is held under a paying agent agreement in connection with the Qualified Zone Academy Bonds (QZABs) financing arrangement (See note II.H.2).

- Interest Rate Risk

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

- Credit Risk

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

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

  The District's investment in the United States Treasury Bill is authorized under a forward delivery agreement with the QZABs paying agent. The investment must have a maturity date on or before December 15, 2021. The District's investment in the United States Treasury Bill was rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

- Custodial Credit Risk

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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.

The United States Treasury Bill is held by the trustee in the name of the District in connection with the District's QZABs.

C. 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	$ 1,212,106.79	$ 79,000.00	$	$ 1,291,106.79
Construction in Progress	223,486.00	503,659.19	212,686.00	514,459.19
Total Capital Assets Not Being Depreciated	1,435,592.79	582,659.19	212,686.00	1,805,565.98
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	5,778,554.31	109,251.77		5,887,806.08
Buildings and Fixed Equipment	70,155,502.39	804,812.45		70,960,314.84
Furniture, Fixtures, and Equipment	5,358,510.02	449,711.06	246,903.47	5,561,317.61
Motor Vehicles	5,933,346.45	30,578.00	45,461.05	5,918,463.40
Audio Visual Materials and Computer Software	115,338.91	1,525.00	8,945.00	107,918.91
Total Capital Assets Being Depreciated	87,341,252.08	1,395,878.28	301,309.52	88,435,820.84
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	4,330,359.56	510,276.53		4,840,636.09
Buildings and Fixed Equipment	33,117,000.51	2,661,011.81		35,778,012.32
Furniture, Fixtures, and Equipment	4,444,135.16	361,730.13	224,832.79	4,581,032.50
Motor Vehicles	4,415,535.49	316,443.95	45,461.05	4,686,518.39
Audio Visual Materials and Computer Software	104,531.46	4,580.59	8,945.00	100,167.05
Total Accumulated Depreciation	46,411,562.18	3,854,043.01	279,238.84	49,986,366.35
Total Capital Assets Being Depreciated, Net	40,929,689.90	(2,458,164.73)	22,070.68	38,449,454.49
Governmental Activities Capital Assets, Net	$ 42,365,282.69	$ (1,875,505.54)	$ 234,756.68	$ 40,255,020.47

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	$ 316,443.95
Unallocated	3,537,599.06
Total Depreciation Expense - Governmental Activities	$ 3,854,043.01

D. Florida Retirement System

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

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

by employer and employee 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 the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	6.95
FRS, Elected County Officers	3.00	33.03
DROP - Applicable to Members from All of the Above Classes	0.00	12.84
FRS, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled $2,062,286.41, $2,141,833.38, and $2,884,261.01, respectively, which were equal to the required contributions for each fiscal year.

There were 94 District participants in the Investment Plan during the 2013-14 fiscal year. The District's contributions including employee contributions to the Investment Plan totaled $410,336.08, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850)413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement, Research and Education Section, by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877)377-1737 or (850)488-5706; by e-mail at rep@dms.myflorida.com; or at the Division's Web site (www.frs.myflorida.com).

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, and life insurance coverages. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Additionally, the District pays a portion of the cost of healthcare and life insurance benefits for certain retired former employees (explicitly subsidized). Pursuant to the current instructional and school related employee contracts, current employees who retire with 30 or more years of service and are 52 years of age or older are eligible to receive the benefit. The benefits provided under this defined benefit plan continue until the employee reaches 65 years of age or becomes eligible for Medicare, whichever occurs first. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 69 retirees received other postemployment healthcare benefits and 292 retirees received life insurance benefits. The District provided required contributions of $372,576 toward the annual OPEB cost, net of retiree contributions totaling $391,934, which represents 1.4 percent of covered payroll.

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Description	Amount
Normal Cost (service cost for one year)	$ 194,323
Amortization of Unfunded Actuarial Accrued Liability	574,380
Annual Required Contribution	768,703
Interest on Net OPEB Obligation	59,783
Adjustment to Annual Required Contribution	(226,451)
Annual OPEB Cost (Expense)	602,035
Contribution Toward the OPEB Cost	(372,576)
Change in Net OPEB Obligation	229,459
Net OPEB Obligation, Beginning of Year	1,811,611
Net OPEB Obligation, End of Year	$ 2,041,070

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2014, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	$ 597,004	60.1%	$1,606,660
2012-13	591,456	65.4%	1,811,611
2013-14	602,035	61.9%	2,041,070

Funded Status and Funding Progress. As of October 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was $4,376,618, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $4,376,618 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $27,181,747, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 16.1 percent.

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

notes to financial statements presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The District's OPEB actuarial valuation as of October 1, 2012, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2014, and the District's 2013-14 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 an inflation rate of 3 percent and a payroll growth rate of 3.3 percent per year, and an annual healthcare cost trend rate of 8 percent for the 2013-14 fiscal year, reduced by decrements each year, to an ultimate rate of 5.22 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, 2014, was 7 years.

F. Construction and Other Significant Commitments

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

The following is a schedule of encumbrances at June 30, 2014:

Major Funds				
General	Special Revenue - Other	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
$99,581.42	$64,389.29	$1,612,034.46	$27,621.50	$1,803,626.67

Construction Contracts. Encumbrances include the following major construction contract commitments at fiscal year-end:

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Project	Contract Amount	Completed to Date	Balance Committed
Suwannee Primary School Renovation:			
Architect	$ 131,500	$ 107,200	$ 24,300
Contractor	1,210,339	359,602	850,737
IT / Transportation Department Building:			
Architect	37,542	28,287	9,255
Contractor	189,327	8,100	181,227
Total	$ 1,568,708	$ 503,189	$ 1,065,519

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District 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.

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

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

H. Long-Term Liabilities

1. Note Payable

Note payable at June 30, 2014, is as follows:

Note Description	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
Section 1011.14, Florida Statutes, Note:			
Johnson Property Note	$ 316,000	3.95	2019

The District entered into various financing arrangements under the provisions of Section 1011.14, Florida Statutes, which authorizes district school boards to create obligations for a period of one year,

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

in anticipation of budgeted revenues accruing on a current basis, without pledging the credit of the District or requiring future levy of taxes for certain purposes. These obligations may be extended from year to year, with the consent of the lender, for a period not to exceed four years, for a total of five years, including the initial year of the loan. These obligations were undertaken to purchase land and an existing building for expansion of the Vo-Tech Center programs.

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

Fiscal Year Ending June 30	Total	Principal	Interest
2015	$ 70,266.36	$ 58,354.98	$ 11,911.38
2016	70,266.36	60,682.76	9,583.60
2017	70,266.36	63,103.41	7,162.95
2018	70,266.36	65,620.60	4,645.76
2019	70,266.40	68,238.25	2,028.15
Total	$ 351,331.84	$ 316,000.00	$ 35,331.84

2. Certificates of Participation

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

The QZABs were issued under a special program whereby the certificates, bearing an original issue date of December 15, 2005, will mature in full on December 15, 2021, for the original $2,109,275 issue amount. There is no interest cost for borrowing moneys under this program. Interest on the debt is "paid" by the United States government through the issuance of Federal income tax credits to the holder of the QZAB debt. The rate of return on the QZABs was established by the United States government at the time of the sale. In connection with the financing, the District entered into a forward delivery agreement under which mandatory deposits (rent payments) of $131,078 are made for 14 consecutive years beginning December 15, 2008. The forward delivery agreement provides a guaranteed investment return whereby the required deposits, along with the accrued interest, will be sufficient to repay the debt at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a trust agreement until the certificates mature. The financing proceeds were designated for the equipment and improvements at Branford Elementary School, Branford High School, Suwannee Intermediate School, Suwannee Middle School and Suwannee High School.

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

3. Bonds Payable

Bonds payable at June 30, 2014, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005B, Refunding	$ 590,000	5	2018
Series 2009A, Refunding	40,000	5	2019
Total Bonds Payable	$ 630,000		

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2015	$ 181,500	$ 150,000	$ 31,500
2016	174,000	150,000	24,000
2017	176,500	160,000	16,500
2018	168,500	160,000	8,500
2019	10,500	10,000	500
Total State School Bonds	$ 711,000	$ 630,000	$ 81,000

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

4. 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					
Installment Purchase Payable	$ 386,889.50	$	$ 386,889.50	$	$
Note Payable		316,000.00		316,000.00	58,354.98
Bonds Payable	770,000.00		140,000.00	630,000.00	150,000.00
Certificates of Participation Payable	2,109,275.00			2,109,275.00	
Compensated Absences Payable	3,440,178.81	561,125.10	501,415.91	3,499,888.00	408,060.22
Other Postemployment Benefits Payable	1,811,611.00	602,035.00	372,576.00	2,041,070.00	
Total Governmental Activities	$ 8,517,954.31	$ 1,479,160.10	$ 1,400,881.41	$ 8,596,233.00	$ 616,415.20

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

I. Fund Balance Reporting

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

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

J. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	$ 51,244.92	$ 1,880.76
Special Revenue:		
Other	1,880.76	41,379.37
Nonmajor Governmental		9,865.55
Total	$ 53,125.68	$ 53,125.68

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

K. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2013-14 fiscal year:

Source	Amount
Florida Education Finance Program	$ 21,948,187.00
Categorical Educational Program - Class Size Reduction	6,021,402.00
Workforce Development Program	909,320.00
Voluntary Prekindergarten Program	357,472.00
Excellent Teaching Program	281,993.00
Technology Transformation Grant	220,747.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	212,846.70
Adults with Disabilities	60,211.00
Mobile Home License Tax	55,926.32
Discretionary Lottery Funds	53,649.00
Food Service Supplement	48,881.00
Miscellaneous	266,742.55
Total	$ 30,437,377.57

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

2. Property Taxes

The following is a summary of millages and taxes levied on the 2013 tax roll for the 2013-14 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	4.979	$ 8,012,672.47
Basic Discretionary Local Effort	0.748	1,203,751.56
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,413,940.29
Total	7.227	$ 11,630,364.32

L. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	$ 281,993	$
Capital Projects:		
Local Capital Improvement		412,628
Nonmajor Governmental	130,635	
Total	$ 412,628	$ 412,628

Transfers were made to move restricted capital outlay revenues to provide the required sinking fund payment related to the QZABs to a nonmajor debt service fund and to reimburse the General Fund for property and casualty insurance premiums.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 50,000.00	$ 50,000.00	$ 58,658.46	$ 8,658.46
Federal Through State and Local	125,000.00	179,098.17	279,205.80	100,107.63
State	29,730,788.00	30,225,844.55	30,178,827.23	(47,017.32)
Local:				
Property Taxes	8,810,125.00	8,810,125.00	8,946,363.00	136,238.00
Charges for Services			622,382.48	622,382.48
Miscellaneous	972,000.00	1,285,592.00	1,033,673.26	(251,918.74)
Total Local Revenues	9,782,125.00	10,095,717.00	10,602,418.74	506,701.74
Total Revenues	39,687,913.00	40,550,659.72	41,119,110.23	568,450.51
Expenditures				
Current - Education:				
Instruction	25,803,818.67	26,466,419.32	25,860,161.30	606,258.02
Student Personnel Services	1,911,371.00	2,002,535.77	1,885,635.14	116,900.63
Instructional Media Services	810,318.00	808,744.94	747,210.59	61,534.35
Instruction and Curriculum Development Services	338,555.00	427,148.56	373,986.94	53,161.62
Instructional Staff Training Services	428,488.00	503,043.92	308,140.81	194,903.11
Instruction Related Technology	540,227.00	601,070.17	543,781.05	57,289.12
School Board	316,832.00	387,530.21	364,762.78	22,767.43
General Administration	822,305.00	966,452.01	561,978.22	404,473.79
School Administration	3,103,355.00	3,237,596.56	3,156,612.01	80,984.55
Facilities Acquisition and Construction	145,660.00	149,868.73	149,452.44	416.29
Fiscal Services	460,661.00	458,653.43	405,084.28	53,569.15
Food Services	4,000.00	39,329.08	35,475.48	3,853.60
Central Services	726,341.00	690,817.50	266,906.15	423,911.35
Student Transportation Services	3,146,484.00	3,373,941.41	2,855,660.47	518,280.94
Operation of Plant	3,572,759.00	3,951,239.47	3,647,607.76	303,631.71
Maintenance of Plant	1,128,753.00	1,188,308.74	1,113,644.67	74,664.07
Administrative Technology Services	331,574.00	334,792.00	294,517.94	40,274.06
Community Services	51,088.00	9,785.81	9,785.81	
Fixed Capital Outlay:				
Other Capital Outlay		186,830.51	186,830.51	
Total Expenditures	43,642,589.67	45,784,108.14	42,767,234.35	3,016,873.79
Deficiency of Revenues Over Expenditures	(3,954,676.67)	(5,233,448.42)	(1,648,124.12)	3,585,324.30
Other Financing Sources				
Transfers In	280,000.00	281,993.00	281,993.00	
Net Change in Fund Balances	(3,674,676.67)	(4,951,455.42)	(1,366,131.12)	3,585,324.30
Fund Balances, Beginning	5,365,251.67	5,365,251.67	5,365,251.67	
Fund Balances, Ending	$ 1,690,575.00	$ 413,796.25	$ 3,999,120.55	$ 3,585,324.30

Special Revenue - Other Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$	$ 727,853.44	$ 727,853.44	$
5,941,578.00	7,311,117.63	4,775,356.02	(2,535,761.61)
		776.00	776.00
		776.00	776.00
5,941,578.00	8,038,971.07	5,503,985.46	(2,534,985.61)
3,907,534.00	5,674,354.88	3,986,193.83	1,688,161.05
196,105.00	197,553.95	98,625.23	98,928.72
800,076.00	1,049,014.74	768,988.94	280,025.80
593,344.00	544,225.56	433,741.96	110,483.60
442,819.00	555,861.94	198,675.50	357,186.44
200.00			
1,500.00	2,419.00	2,219.00	200.00
	15,541.00	15,541.00	
5,941,578.00	8,038,971.07	5,503,985.46	2,534,985.61
$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
October 1, 2007	$ 0	$ 11,853,606	$ 11,853,606	0.0%	$ 23,538,618	50.4%
October 1, 2010	0	4,663,121	4,663,121	0.0%	22,667,839	20.6%
October 1, 2012	0	4,376,618	4,376,618	0.0%	27,181,747	16.1%

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014

I. BUDGETARY BASIS OF ACCOUNTING

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

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

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 Agriculture and Consumer Services:			
School Breakfast Program	10.553	13002	$ 624,385.79
National School Lunch Program	10.555 (2)	13001	2,233,043.07
Summer Food Service Program for Children	10.559	13006	37,584.65
Total United States Department of Agriculture			2,895,013.51
United States Department of Education:			
Direct:			
Federal Pell Grant Program	84.063	N/A	727,853.44
Teacher Incentive Fund	84.374	N/A	56,091.28
Total Direct			783,944.72
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	1,121,209.40
Special Education - Preschool Grants	84.173	267	54,532.90
Total Special Education Cluster			1,175,742.30
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191, 193	100,473.48
Title I Grants to Local Educational Agencies	84.010	212, 226	2,020,739.13
Migrant Education - State Grant Program	84.011	217	353,426.28
Career and Technical Education - Basic Grants to States	84.048 (3)	161	114,643.92
Education for Homeless Children and Youth	84.196	127	41,761.28
Twenty-First Century Community Learning Centers	84.287	244	534,495.69
Rural Education	84.358	110	101,797.17
English Language Acquisition Grants	84.365	102	31,222.22
Improving Teacher Quality State Grants	84.367	224	301,830.55
North Florida Community College:			
Career and Technical Education - Basic Grants to States	84.048 (3)	None	37,792.64
Total Indirect			4,813,924.66
Total United States Department of Education			5,597,869.38
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	58,658.46
Total Expenditures of Federal Awards			$ 8,551,541.35

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

(2) Noncash Assistance:
National School Lunch Program - Includes $165,394.95 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Career and Technical Education - Basic Grants to States. Expenditures total $152,426.56 for CFDA No. 84.048.

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

PHONE: 850-412-2722
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*

Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon February 5, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a

reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 5, 2015

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

PHONE: 850-412-2722
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 FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

We have audited the Suwannee County District School Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2014. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 5, 2015

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster:
84.027 and 84.173	Special Education Cluster
84.063	Federal Pell Grant Program
84.287	Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

ADDITIONAL MATTERS

Finding No. 1: Background Screenings

Pursuant to Section 1012.32(2)(a), Florida Statutes, instructional and noninstructional personnel must undergo background screenings required under Sections 1012.465 and 1012.56(10), Florida Statutes, whichever is applicable.

Our test of 30 employees (15 bus drivers, 9 instructional employees, and 16 other noninstructional employees) disclosed 5 employees who were not rescreened within five years, contrary to law. As of the time of our review in March 2014, background rescreenings for these 5 employees were from 321 days to over eight years late. These employees had direct contact with students and included 3 bus drivers, an ESE paraprofessional, and a school bookkeeper. Subsequent to our inquiry, District personnel obtained the required background screenings for these employees.

Absent timely background screenings, there is an increased risk that District employees with unsuitable backgrounds may be allowed access to students. A similar finding was noted in our report No. 2014-087.

Recommendation: The District should strengthen its controls to ensure that required background screenings are timely performed for all employees.

Finding No. 2: Virtual Instruction Program – Student Eligibility

Section 1002.455(1), Florida Statutes, authorizes students to participate in a virtual instruction program (VIP) if they meet certain eligibility criteria as specified in Section 1002.455(2), Florida Statutes, such as attending a Florida public school in the prior school year and being funded by the Florida Education Finance Program, being eligible to enter kindergarten or first grade, and other qualifying reasons.

During the 2013-14 fiscal year, 20 students were enrolled full-time in VIP courses, and 170 students were enrolled part-time in one or more VIP courses to supplement their school academic activity. District personnel indicated that student eligibility was verified prior to enrollment in a VIP option; however, District records did not evidence verification of each student's eligibility. While our tests did not disclose any students participating in the District's VIP that did not meet the eligibility criteria, our tests do not substitute for the District's responsibility to ensure appropriate procedures. Absent effective procedures to verify and document student eligibility, there is an increased risk that ineligible students may participate in the VIP.

Recommendation: The District should enhance its procedures to ensure documented verification of the eligibility of students enrolled in the VIP.

Finding No. 3: Virtual Instruction Program – Written Parental Notifications

Section 1002.45(10), Florida Statutes, requires that school districts provide information to parents and students about their right to participate in a VIP. Further, Section 1002.45(1)(b), Florida Statutes, requires school districts to provide parents with timely, written notifications of open enrollment periods for their VIPs.

For the 2013-14 school year, District personnel indicated there were several communication methods used to provide information about the District's VIP to parents and students. Such communication included written notices distributed to students, and flyers and brochures posted and made available in school guidance offices. While these methods indicate efforts by District personnel to communicate with parents and students about the VIP, District records did not evidence that written notifications were provided directly to parents. Without such direct notifications, some parents may not be informed of available VIP options and associated enrollment periods, potentially limiting student access to virtual instruction types.

Recommendation: The District should enhance its procedures to ensure that records are maintained evidencing timely, written notifications to parents about student opportunities to participate in the District's VIP and open enrollment period dates.

Finding No. 4: Health Insurance Plan – Participant Eligibility

For the 2013-14 fiscal year, the Board-adopted salary schedule required the District to contribute $4,046 for each employee in the group insurance program including: health, life/accidental death and dismemberment insurance, and long-term disability. Also, pursuant to Section 112.0801, Florida Statutes, retired employees and their dependents participated in the District's health insurance plan at their own expense, but at the rate of current employees. District personnel were responsible for deducting the insurance premium costs from employee pay and submitting payments to the insurance carrier. For the 2013-14 fiscal year, employees contributed a total of $1,414,085 and retirees contributed a total of $391,934 to participate in the District's health insurance plan, and the District contributed $2,470,510 toward the plan. Also, 51 dependents participated in the health insurance plan.

Our review disclosed that the District did not require employees electing to purchase health insurance coverage for their dependents during open enrollment periods to provide documentation evidencing the dependents' eligibility. Also, when employees made changes outside of open enrollment periods, the District did not require the employee to provide documentation evidencing the dependent's eligibility, except in the case of dependents that involve adoption and/or change of custody. Without verifying the eligibility of all dependents covered through the District's health insurance plan, there is an increased risk that the dependents receiving insurance coverage may be ineligible participants.

Although employees and retirees are required to pay health insurance premiums for dependent coverage, future premium rates for the District's health insurance plan are based on claims experience. Therefore, claims for an ineligible dependent could result in future increases in health insurance premiums paid by the District for employees' healthcare coverage.

Recommendation: The District should enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2014-087 except that finding No. 1 was also noted in our report No. 2014-087 as finding No. 1.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

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
2013-119 (1) 2014-087 (1)	Federal Pell Grant Progam (CFDA No. 84.063) - Reporting and Special Tests and Provisions	Controls for the Federal Pell Grant Program were not adequate to ensure proper administration of the grant.	Corrected.	

EXHIBIT A
MANAGEMENT'S RESPONSE

SUWANNEE COUNTY SCHOOL BOARD

Serving The Children Of Our Community

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

JERRY A. SCARBOROUGH
Superintendent of Schools

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

January 27, 2015

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, 2014.

Finding No. 1: Background Screenings

The District has enhanced its procedures to ensure that required background screenings are timely performed for all employees. New software and equipment is being used to capture fingerprint cards that have greater quality than was previously attained. Queries continue to be run on an annual basis to ensure that background screening re-submission dates are current. Fingerprint records rejected for image quality from prior submissions have been reviewed and re-submitted for re-screening. Fingerprint submissions that were rejected twice were sent to the FBI for a name check review.

Finding No. 2: Virtual Instruction Program – Student Eligibility

The District will enhance its procedures to ensure documented verification of the eligibility of students enrolled in the Virtual Instruction Program.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Mr. David W. Martin, CPA
Auditor General
January 27, 2015
Page 2

Finding No. 3: Virtual Instruction Program – Written Parental Notifications

The District will continue to enhance its procedures to ensure that records are maintained evidencing timely, written notifications to parents about student opportunities to participate in the District's Virtual Instruction Program and open enrollment period dates.

Finding No. 4: Health Insurance Plan – Participant Eligibility

The District will enhance its procedures to require verification of eligibility of dependents participating in the District's health insurance plan.

The Suwannee County District School Board accepts your comments and recommendations with regard to its fiscal year 2013-2014 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