REPORT NO. 2012-107
MARCH 2012

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2011

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2010-11 fiscal year are listed below:

	District No.
Jerry L. Taylor, Chair to 11-15-10	1
Muriel S. Owens	2
Julie B. Ulmer, Vice Chair to 11-15-10, Chair from 11-16-10	3
James Cooper to 11-15-10	4
Ed daSilva from 11-16-10	4
J. M. Holtzclaw, Vice Chair from 11-16-10	5

Jerry A. Scarborough, Superintendent

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

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

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

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010), and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes (2010).

Finding No. 2: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding No. 3: The District's written information technology disaster recovery plan needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Part A Cluster; Special Education Cluster; Federal Pell Grant Program; State Fiscal Stabilization Cluster; Education Technology State Grants; and Education Jobs Fund 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 the major Federal programs. However, we did note a noncompliance and control deficiency finding as summarized below.

Federal Awards Finding No. 1: Control deficiencies over administration of the Federal Pell Program were identified, resulting in $9,366 of questioned costs.

Audit Objectives and Scope

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

- **Presented the District's basic financial statements in accordance with generally accepted accounting principles;**
- **Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;**
- **Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;**
- **Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and**
- **Taken corrective actions for findings included in our report No. 2011-132.**

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, 2011. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL
STATE OF FLORIDA

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111 West Madison Street
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Suwannee County District School Board, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 23 percent of the assets and 85 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Suwannee Foundation for Excellence in Education, Inc., the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the discretely presented component unit, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information for the Suwannee County District School Board as of June 30, 2011, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

Respectfully submitted,



David W. Martin, CPA
February 17, 2012

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, 2011. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 9 through 38.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-11 fiscal year are as follows:

- The District's total net assets decreased by $2,126,854, or 3.8 percent.
- General revenues totaled $52,378,402 or 92.7 percent of all revenues for the 2010-11 fiscal year, compared to $51,432,724, or 92.2 percent for the prior fiscal year. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions totaled $4,139,467 or 7.3 percent, compared to $4,336,184, or 7.8 percent, for the prior fiscal year.
- This is the first year the District reported fund balances in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changes how governmental fund balances are classified. The objective of the statement is to improve the usefulness and understandability of governmental fund balance information. The statement provides clearly defined categories of fund balance to make the nature and extent of the constraints placed on a government's fund balance more transparent.
- 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, totaled $9,171,768 at June 30, 2011, or 23.1 percent, of total General Fund expenditures. The prior fiscal year unreserved fund balance in the General Fund was $7,611,321, or 20.9 percent, of total General Fund expenditures.
- During the current fiscal year, General Fund revenues exceeded expenditures by $157,168. This may be compared to last fiscal year's results in which General Fund revenues exceeded expenditures by $3,555,112.
- The District's total debt decreased by $647,581, or 13.1 percent. The District did not issue new debt in the 2010-11 fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-wide Financial Statements

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

assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2011, compared to net assets as of June 30, 2010:

Net Assets, End of Year

	Governmental Activities	
	6-30-11	6-30-10
Current and Other Assets	$ 15,429,109	$ 14,951,238
Capital Assets	48,958,053	51,626,894
Total Assets	64,387,162	66,578,132
Long-Term Liabilities	9,441,183	9,485,280
Other Liabilities	1,508,445	1,528,465
Total Liabilities	10,949,628	11,013,745
Net Assets:		
Invested in Capital Assets - Net of Related Debt	44,649,244	46,670,504
Restricted	4,549,625	4,665,256
Unrestricted	4,238,665	4,228,627
Total Net Assets	$ 53,437,534	$ 55,564,387

The largest portion of the District's net assets (83.6 percent) reflects its investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets (8.5 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (7.9 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2011, and June 30, 2010, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-11	6-30-10
Program Revenues:	$	$
Charges for Services	1,197,376	1,204,376
Operating Grants and Contributions	2,425,449	2,335,053
Capital Grants and Contributions	516,642	796,755
General Revenues:		
Property Taxes, Levied for Operational Purposes	10,037,779	10,344,429
Property Taxes, Levied for Capital Projects	2,348,716	2,460,458
Grants and Contributions Not Restricted to Specific Programs	39,202,671	37,657,833
Unrestricted Investment Earnings	130,784	129,574
Miscellaneous	658,453	840,430
Total Revenues	56,517,870	55,768,908
Functions/Program Expenses:		
Instruction	32,323,720	28,990,549
Pupil Personnel Services	1,918,652	2,077,336
Instructional Media Services	695,932	676,783
Instruction and Curriculum Development Services	1,027,341	696,428
Instructional Staff Training Services	1,250,472	1,270,878
Instruction Related Technology	393,526	275,627
School Board	290,372	244,363
General Administration	690,032	722,192
School Administration	2,929,602	2,920,198
Facilities Acquisition and Construction	1,142,343	946,520
Fiscal Services	403,261	445,751
Food Services	2,955,628	2,624,171
Central Services	700,239	510,406
Pupil Transportation Services	3,472,973	3,185,369
Operation of Plant	3,104,683	2,969,548
Maintenance of Plant	1,513,043	1,359,864
Administrative Technology Services	249,199	249,536
Community Services	47,190	47,388
Unallocated Interest on Long-Term Debt	117,861	126,015
Unallocated Depreciation Expense	3,373,590	3,377,162
Loss on Disposal of Capital Assets	45,064	26,345
Total Functions/Program Expenses	58,644,723	53,742,429
Increase (Decrease) in Net Assets	$ (2,126,853)	$ 2,026,479

The largest revenue source is the State of Florida (50.9 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs revenues increased by $1,544,838 due primarily to the receipt of Federal revenues provided by the Education Jobs Act in the amount of $1,159,912.

Capital grants and contributions revenue decreased by $280,113 from the prior fiscal year. The District did not receive revenue appropriations from the State for Classrooms for Kids or Public Education Capital Outlay for the purpose of new construction in the 2010-11 fiscal year.

Instruction expenses represent 55.1 percent of total governmental expenses for the 2010-11 fiscal year. Instruction expenses increased by $3,333,171, or 11.5 percent, from the previous fiscal year due to filling instructional and school-related positions in an effort to meet class size reduction requirements and a cost of living adjustment in the salary schedule.

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 $8,346,944; assigned fund balance is $824,824; and total fund balance is $9,868,892. Fund balance increased by $459,366 during the fiscal year mainly because the District transferred salaries and benefits of several instructional positions and certain health insurance benefits expenditures from the General Fund to the Special Revenue – Federal Economic Stimulus Fund.

The Special Revenue – Other Federal Programs Fund has total revenues and expenditures of $6,532,030 each. The Special Revenue – Federal Economic Stimulus Programs Fund has total revenues and expenditures of $4,141,509 each, and the funding was mainly used for salaries and benefits to create or save existing jobs as per assurances provided for in the project applications. Because grant revenues are not recognized until expenditures are incurred, the grants accounted for in these funds generally do not accumulate fund balances.

The Capital Projects - Local Capital Improvement Fund has a total fund balance of $2,075,603, which is restricted for the acquisition, construction, and maintenance of capital assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2010-11 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in budgeted revenues amounting to $1,000,165, or 2.5 percent. At the same time, final appropriations are more than the original budgeted amounts by $3,434,000, or 7.9 percent.

Actual revenues are in line with final budgeted amounts. Actual expenditures are $7,522,220, or 16 percent, less than final budget amounts. Steps taken by the District to address reducing expenditures included the continued vacancies in key administrative staff positions; the consolidation of District level departments; a cutoff of all nonessential expenditures; continued adherence to strict budgetary controls; and conducting internal audits of utility services, such as telephone and electricity usage. Additionally, the District budgeted a 15 percent increase in utility costs, based upon projections provided by its energy provider. However, the District did not experience this increase in utility expenditures, and the savings were retained in the General Fund. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $6,997,068.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2011, amounts to $48,958,053 (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; and audio visual materials and computer software.

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

Long-Term Debt

At June 30, 2011, the District has total long-term debt outstanding of $4,308,809. This amount is comprised of an obligation under a capital lease totaling $55,228; an obligation under an installment purchase agreement totaling $1,119,306; $1,025,000 of bonds payable; and $2,109,275 of certificates of participation payable.

Additional information on the District's long-term debt can be found in Notes 5 through 9 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The District continued receiving one-time appropriations under the American Recovery and Reinvestment Act of 2009 (ARRA) and the Education Jobs Act during the 2010-11 fiscal year. The intent of these funds is to help stabilize State and local government budgets in order to minimize and avoid reductions in education and other essential public services. Depending on the program, the balances of the majority of these funds were expended in their entirety in the 2010-11 fiscal year. The immaterial balance remaining unexpended in these ARRA funds must be expended by September 30, 2011.

Beginning with the 2010-11 school year, the District was required to comply with class-size amendment requirements at the classroom level, rather than at the current school-wide average. The maximum number of students in each core class was to be 18 students in prekindergarten through grade 3; 22 students in grades 4 through 8; and 25 students in grades 9 through 12. The District hired an additional 14 teachers at an overall aggregate cost of approximately $700,000, including salaries and benefits, to meet these new requirements.

The District's liability for other postemployment benefits at June 30, 2011, reflects a significant and positive impact from a policy change which was implemented and effective June 30, 2008. This policy change discontinued the practice whereby retirees were permitted to receive a direct subsidy from the District for health insurance coverage. The program is being phased out, and only employees who retired under the Florida Retirement System prior to July 1, 2009, are eligible for the subsidy. Per the most recent actuarial valuation date of October 1, 2010, the unfunded actuarial accrued liability at June 30, 2011, is $4,663,121, or a 60.7 percent decrease from October 1, 2007. The annual required contribution is $651,835 for the 2010-11 fiscal year, a 44.3 percent decrease from the annual required contribution in the prior fiscal year. The actual employer contributions decreased to $383,015 in the 2010-11 fiscal year, which is a 36.4 percent reduction from the prior fiscal year.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2011

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash and Cash Equivalents	$ 14,487,739.14	$ 3,488.00
Investments	31,005.36	
Accounts Receivable	23,210.86	17,112.00
Due from Other Agencies	219,044.71	
Restricted Investments	408,888.55	
Inventories	259,220.35	
Capital Assets:		
Nondepreciable Capital Assets	1,217,106.79	
Depreciable Capital Assets, Net	47,740,945.81	930.00
TOTAL ASSETS	$ 64,387,161.57	$ 21,530.00
LIABILITIES		
Salaries and Benefits Payable	$ 563,286.70	$
Payroll Deductions and Withholdings	595,944.42	
Accounts Payable	325,597.39	13,369.00
Deposits Payable	23,616.55	
Long-Term Liabilities:		
Portion Due Within One Year	1,951,299.28	
Portion Due After One Year	7,489,883.74	
Total Liabilities	10,949,628.08	13,369.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	44,649,243.74	
Restricted for:		
Debt Service	439,893.91	
Capital Projects	2,759,784.90	
Food Service	947,856.54	
Fuel Tax Rebate	222,454.90	
Other Purposes	179,634.50	
Unrestricted	4,238,665.00	8,161.00
Total Net Assets	53,437,533.49	8,161.00
TOTAL LIABILITIES AND NET ASSETS	$ 64,387,161.57	$ 21,530.00

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	$ 32,323,719.94	$ 420,863.06	$	$
Pupil Personnel Services	1,918,652.10			
Instructional Media Services	695,932.14			
Instruction and Curriculum Development Services	1,027,341.25			
Instructional Staff Training Services	1,250,471.68			
Instruction Related Technology	393,525.73			
School Board	290,371.86			
General Administration	690,032.10			
School Administration	2,929,602.17			
Facilities Acquisition and Construction	1,142,343.41			40,445.76
Fiscal Services	403,261.01			
Food Services	2,955,628.20	662,620.59	2,425,449.32	
Central Services	700,238.61			
Pupil Transportation Services	3,472,972.76	113,892.49		
Operation of Plant	3,104,683.16			
Maintenance of Plant	1,513,042.95			302,198.00
Administrative Technology Services	249,198.80			
Community Services	47,189.68			
Unallocated Interest on Long-Term Debt	117,861.18			173,997.99
Unallocated Depreciation Expense*	3,373,590.11			
Loss on Disposal of Capital Assets	45,064.36			
Total Primary Government	$ 58,644,723.20	$ 1,197,376.14	$ 2,425,449.32	$ 516,641.75
Component Unit				
Suwannee Foundation for Excellence in Education, Inc.	$ 100,381.00	$ 0.00	$ 64,505.00	$ 0.00
General Revenues:				
Taxes:				
Property Taxes, Levied for Operational Purposes				
Property Taxes, Levied for Capital Projects				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

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

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government Governmental Activities	Component Unit
$ (31,902,856.88)	$
(1,918,652.10)	
(695,932.14)	
(1,027,341.25)	
(1,250,471.68)	
(393,525.73)	
(290,371.86)	
(690,032.10)	
(2,929,602.17)	
(1,101,897.65)	
(403,261.01)	
132,441.71	
(700,238.61)	
(3,359,080.27)	
(3,104,683.16)	
(1,210,844.95)	
(249,198.80)	
(47,189.68)	
56,136.81	
(3,373,590.11)	
(45,064.36)	
(54,505,255.99)	
	(35,876.00)
10,037,779.10	
2,348,715.75	
39,202,670.67	35,085.00
130,783.99	1.00
658,452.89	
52,378,402.40	35,086.00
(2,126,853.59)	(790.00)
55,564,387.08	8,951.00
$ 53,437,533.49	$ 8,161.00

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	$ 10,707,221.48	$ 54,288.46	$
Investments			
Accounts Receivable	23,210.86		
Due from Other Funds	127,678.33	14,539.18	
Due from Other Agencies	116,069.90	48,670.58	27,621.65
Restricted Investments			
Inventories	199,271.45		
TOTAL ASSETS	$ 11,173,452.02	$ 117,498.22	$ 27,621.65
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	$ 526,637.74	$ 30,175.61	$ 2,424.97
Payroll Deductions and Withholdings	595,944.42		
Accounts Payable	152,258.67	81,361.29	
Due to Other Funds	6,102.22	5,961.32	25,196.68
Deposits Payable	23,616.55		
Total Liabilities	1,304,559.60	117,498.22	27,621.65
Fund Balances:			
Nonspendable:			
Inventory	199,271.45		
Restricted for:			
Food Service			
Debt Service			
Capital Projects	95,763.86		
Fuel Tax Rebate	222,454.90		
Other Purposes	179,634.50		
Total Restricted Fund Balance	497,853.26		
Assigned to:			
Board Approved Budget Items	674,178.30		
Employee Health Insurance	150,645.58		
Total Assigned Fund Balance	824,823.88		
Unassigned Fund Balance	8,346,943.83		
Total Fund Balances	9,868,892.42		
TOTAL LIABILITIES AND FUND BALANCES	$ 11,173,452.02	$ 117,498.22	$ 27,621.65

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$ 2,164,234.11	$ 1,561,995.09	$ 14,487,739.14
	31,005.36	31,005.36
		23,210.86
		142,217.51
2,594.02	24,088.56	219,044.71
	408,888.55	408,888.55
	59,948.90	259,220.35
$ 2,166,828.13	$ 2,085,926.46	$ 15,571,326.48
$	$ 4,048.38	$ 563,286.70
		595,944.42
91,224.90	752.53	325,597.39
	104,957.29	142,217.51
		23,616.55
91,224.90	109,758.20	1,650,662.57
	59,948.90	259,220.35
	887,907.64	887,907.64
	439,893.91	439,893.91
2,075,603.23	588,417.81	2,759,784.90
		222,454.90
		179,634.50
2,075,603.23	1,916,219.36	4,489,675.85
		674,178.30
		150,645.58
		824,823.88
		8,346,943.83
2,075,603.23	1,976,168.26	13,920,663.91
$ 2,166,828.13	$ 2,085,926.46	$ 15,571,326.48

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total Fund Balances - Governmental Funds		$ 13,920,663.91
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		48,958,052.60
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 year-end consist of:		
Obligations Under Capital Lease	$ 55,228.02	
Installment Purchases Payable	1,119,305.84	
Bonds Payable	1,025,000.00	
Certificates of Participation Payable	2,109,275.00	
Other Postemployment Benefits Payable	1,368,696.00	
Compensated Absences Payable	3,763,678.16	(9,441,183.02)
Total Net Assets - Governmental Activities		$ 53,437,533.49

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

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SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2011

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 60,219.77	$ 695,944.18	$
Federal Through State and Local	294,127.07	5,836,086.23	4,141,508.63
State	28,189,013.56		
Local:			
Property Taxes	10,037,779.10		
Charges for Services	534,755.55		
Miscellaneous	673,480.00		
Total Revenues	39,789,375.05	6,532,030.41	4,141,508.63
Expenditures			
Current - Education:			
Instruction	23,333,664.91	4,587,428.89	3,867,985.46
Pupil Personnel Services	1,586,422.61	173,036.03	149,793.46
Instructional Media Services	690,030.14		
Instruction and Curriculum Development Services	414,311.43	609,967.53	1,404.29
Instructional Staff Training Services	275,264.72	964,875.60	5,599.36
Instruction Related Technology	392,504.73		
School Board	289,565.86		
General Administration	577,133.76	89,492.20	21,539.14
School Administration	2,915,527.17		
Facilities Acquisition and Construction	52,752.56		10,550.00
Fiscal Services	401,593.01		
Food Services	3,907.08	17,975.00	
Central Services	699,643.61		
Pupil Transportation Services	2,984,901.48	10,178.82	6,332.44
Operation of Plant	3,098,897.16		
Maintenance of Plant	1,508,443.95		
Administrative Technology Services	248,420.80		
Community Services	47,189.68		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	38,463.84		
Other Capital Outlay	73,568.37	79,076.34	78,304.48
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	39,632,206.87	6,532,030.41	4,141,508.63
Excess (Deficiency) of Revenues Over Expenditures	157,168.18		
Other Financing Sources (Uses)			
Transfers In	302,198.00		
Transfers Out			
Total Other Financing Sources (Uses)	302,198.00		
Net Change in Fund Balances	459,366.18		
Fund Balances, Beginning	9,409,526.24		
Fund Balances, Ending	$ 9,868,892.42	$ 0.00	$ 0.00

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

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$	$	$ 756,163.95
	2,373,832.32	12,645,554.25
	565,494.39	28,754,507.95
2,348,715.75		12,386,494.85
	662,620.59	1,197,376.14
20,127.17	10,165.30	703,772.47
2,368,842.92	3,612,112.60	56,443,869.61
		31,789,079.26
		1,909,252.10
		690,030.14
		1,025,683.25
		1,245,739.68
		392,504.73
		289,565.86
		688,165.10
		2,915,527.17
1,090,530.85		1,153,833.41
		401,593.01
	2,927,447.12	2,949,329.20
		699,643.61
		3,001,412.74
		3,098,897.16
		1,508,443.95
		248,420.80
		47,189.68
489,756.77	81,863.34	610,083.95
266,519.03	18,672.38	516,140.60
527,581.45	120,000.00	647,581.45
60,779.51	57,081.67	117,861.18
2,435,167.61	3,205,064.51	55,945,978.03
(66,324.69)	407,048.09	497,891.58
	130,635.00	432,833.00
(130,635.00)	(302,198.00)	(432,833.00)
(130,635.00)	(171,563.00)	
(196,959.69)	235,485.09	497,891.58
2,272,562.92	1,740,683.17	13,422,772.33
$ 2,075,603.23	$ 1,976,168.26	$ 13,920,663.91

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, 2011

Net Change in Fund Balances - Governmental Funds		$ 497,891.58
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.		(2,697,777.58)
The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.		(45,064.36)
The receipt of capital assets by donation during the current period is recognized in the government-wide statement of activities, but not in the governmental funds.		74,000.00
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments in the current period.		
Capital Lease Payments	$ 53,066.00	
Installment Purchases Payable Payments	346,515.45	
Notes Payable Payments	128,000.00	
Bonds Payable Payments	120,000.00	647,581.45
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year.		(408,421.68)
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.		(195,063.00)
Change in Net Assets - Governmental Activities		$ (2,126,853.59)

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILILITIES - FIDUCIARY FUNDS
June 30, 2011

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 640,128.00
LIABILITIES	
Internal Accounts Payable	$ 640,128.00

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Reporting Entity**

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

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

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

- Blended Component Unit. The Suwannee County School Board Leasing Corporation, Inc. (Leasing Corporation), was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 7. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

- Discretely Presented Component Unit. The component unit columns in the government-wide financial statements include the financial data of the District's other component units. The Suwannee Foundation for Excellence in Education, Inc. (Foundation), which was formed to provide charitable and educational aid to the School Board; to promote education; and to encourage research, learning and dissemination of information. The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit. The Foundation's financial statements are on file in the District's administrative office.

- **Basis of Presentation**

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

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

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

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

The District reports the following major governmental funds:

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

Additionally, the District reports the following fiduciary fund type:

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

- **Basis of Accounting**

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

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

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

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

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

- **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. At June 30, 2011 the District had no investments considered cash equivalents.

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

Investments consist of amounts placed in SBA Debt Service accounts for investment of debt service moneys and those made locally.

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

- **Inventories**

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

- **Capital Assets**

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

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

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

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

- **Long-Term Liabilities**

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

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

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

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

- **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 year when the adjustments are made.

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

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

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

- **District Property Taxes**

The 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 2010 tax levy on September 3, 2010. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

- **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

3. INVESTMENTS

As of June 30, 2011, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Debt Service Accounts	6 months	$ 31,005.36
Obligations of United States Government Instrumentalities - FHLB Discount Notes (1)	12/15/2011	408,893.91
Total Investments		$ 439,899.27

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

Interest Rate Risk

- 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 State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool, known as Florida PRIME, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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 SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.
- The District's investment in United States instrumentalities is authorized under a forward delivery agreement with the qualified zone academy bonds paying agent. The investments must have a maturity date on or before December 15, 2021. The District's investment in the Federal Home Loan Bank Discount Notes was rated A-1+ by Standard & Poor's and P-1 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 holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.
- United States instrumentality obligations are held by the trustee in the name of the District in connection with the District's qualified zone academy bonds.

Concentration of Credit Risk

- Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not have a formal investment policy that limits the amount the District may invest in any one issuer. Ninety-three percent of the District's investments totaling $408,888.55 are in the Federal Home Loan Bank Discount Notes, a government sponsored enterprise of the United States Federal Government. This investment comprises 93 percent of investments reported in the other governmental funds. This investment is made pursuant to a forward delivery agreement related to the District's qualified zone academy bonds.

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 1,178,642.95	$ 38,463.84	$	$ 1,217,106.79
Total Capital Assets Not Being Depreciated	1,178,642.95	38,463.84		1,217,106.79
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,759,296.33	645,620.11		5,404,916.44
Buildings and Fixed Equipment	69,811,459.39			69,811,459.39
Furniture, Fixtures, and Equipment	6,710,072.88	375,369.60	1,042,424.22	6,043,018.26
Motor Vehicles	6,344,819.95	144,793.50	559,787.00	5,929,826.45
Property Under Capital Lease	344,043.00			344,043.00
Audio Visual Materials and Computer Software	205,641.17	7,467.50	63,096.26	150,012.41
Total Capital Assets Being Depreciated	88,175,332.72	1,173,250.71	1,665,307.48	87,683,275.95
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,975,850.81	435,880.36		3,411,731.17
Buildings and Fixed Equipment	25,696,360.42	2,394,533.06		28,090,893.48
Furniture, Fixtures, and Equipment	5,111,564.37	518,153.56	1,000,484.35	4,629,233.58
Motor Vehicles	3,671,700.31	461,902.02	558,883.98	3,574,718.35
Property Under Capital Lease	86,010.75	17,202.15		103,212.90
Audio Visual Materials and Computer Software	185,594.47	7,820.98	60,874.79	132,540.66
Total Accumulated Depreciation	37,727,081.13	3,835,492.13	1,620,243.12	39,942,330.14
Total Capital Assets Being Depreciated, Net	50,448,251.59	(2,662,241.42)	45,064.36	47,740,945.81
Governmental Activities Capital Assets, Net	$ 51,626,894.54	$ (2,623,777.58)	$ 45,064.36	$ 48,958,052.60

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	$ 461,902.02
Unallocated	3,373,590.11
Total Depreciation Expense - Governmental Activities	$ 3,835,492.13

5. OBLIGATION UNDER CAPITAL LEASE

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

Fiscal Year Ending June 30	Total	Principal	Interest
2012	$ 56,431.92	$ 55,228.02	$ 1,203.90

The stated interest rate is 4 percent.

6. INSTALLMENT PURCHASE PAYABLE

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

Fiscal Year Ending June 30	Total	Principal	Interest
2012	$ 401,367.05	$ 359,482.19	$ 41,884.86
2013	401,367.05	372,934.15	28,432.90
2014	401,367.05	386,889.50	14,477.55
Total Minimum Lease Payments	$ 1,204,101.15	$ 1,119,305.84	$ 84,795.31

The stated interest rate is 3.68 percent.

7. CERTIFICATES OF PARTICIPATION

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

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

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

8. BONDS PAYABLE

Bonds payable at June 30, 2011, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005B, Refunding	$ 955,000.00	5.0	2018
Series 2009A, Refunding	70,000.00	4.0 - 5.0	2019
Total Bonds Payable	$1,025,000.00		

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2012	$ 176,050.00	$ 125,000.00	$ 51,050.00
2013	174,900.00	130,000.00	44,900.00
2014	178,500.00	140,000.00	38,500.00
2015	181,500.00	150,000.00	31,500.00
2016	174,000.00	150,000.00	24,000.00
2017-2019	355,500.00	330,000.00	25,500.00
Total State School Bonds	$ 1,240,450.00	$ 1,025,000.00	$ 215,450.00

9. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Obligations Under Capital Lease	$ 108,294.02	$	$ 53,066.00	$ 55,228.02	$ 55,228.02
Installment Purchases Payable	1,465,821.29		346,515.45	1,119,305.84	359,482.19
Notes Payable	128,000.00		128,000.00		
Bonds Payable	1,145,000.00		120,000.00	1,025,000.00	125,000.00
Certificates of Participation Payable	2,109,275.00			2,109,275.00	
Compensated Absences Payable	3,355,256.48	661,351.05	252,929.37	3,763,678.16	1,411,589.07
Other Postemployment Benefits Payable	1,173,633.00	578,078.00	383,015.00	1,368,696.00	
Total Governmental Activities	$ 9,485,279.79	$ 1,239,429.05	$ 1,283,525.82	$ 9,441,183.02	$ 1,951,299.28

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$127,678.33	$ 6,102.22
Special Revenue:		
Other	14,539.18	5,961.32
Federal Economic Stimulus		25,196.68
Nonmajor Governmental		104,957.29
Total	$ 142,217.51	$ 142,217.51

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

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$ 302,198.00	$
Capital Projects:		
Local Capital Improvement		130,635.00
Nonmajor Governmental	130,635.00	302,198.00
Total	$ 432,833.00	$ 432,833.00

Transfers were made to move Public Education Capital Outlay revenues to offset eligible expenditures in the General Fund and to provide the required sinking fund payment related to the qualified zone academy bonds to a nonmajor debt service fund.

11. FUND BALANCE REPORTING

The District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Types Definitions*, for the fiscal year ended June 30, 2011. The objective of the statement is to improve the usefulness and understanding of fund balance information for users of the financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

- **Nonspendable**

  The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash. Examples of items that are not in spendable form include inventory, prepaid amounts, long-term amounts of loans and notes receivable, and property acquired for resale. The District classifies its amounts reported as inventories as nonspendable.

- **Restricted**

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

- **Committed**

  The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District did not have any committed fund balances at June 30, 2011.

- **Assigned**

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

- **Unassigned**

  The portion of fund balance that is 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, 2011

12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue sources for the 2010-11 fiscal year:

Source	Amount
Florida Education Finance Program	$ 20,166,466.00
Categorical Educational Program - Class Size Reduction	6,220,897.00
Workforce Development Program	910,260.00
Gross Receipts Tax (Public Education Capital Outlay)	302,198.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	214,443.75
School Recognition	52,061.00
Food Service Supplement	52,030.00
Mobile Home License Tax	51,377.50
Discretionary Lottery Funds	20,883.00
Miscellaneous	763,891.70
Total	$ 28,754,507.95

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

13. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2010 tax roll for the 2010-11 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.419	$ 8,665,028
Basic Discretionary Local Effort	0.748	1,196,059
Critical Operating Needs	0.250	399,752
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,398,513
Total	7.917	$ 12,659,352

14. FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. FRS is a single retirement system administered by the Florida Department of Management Services, Division

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

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

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

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

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2010-11 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Elected County Officers	0.00	18.64
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
Florida Retirement System, Reemployed Retiree	(B)	(B)

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions to the Plan for the fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled $2,540,117.34, $2,637,215.32, and $2,997,859.02, respectively, which were equal to the required contributions for each fiscal year. There were 83 PEORP participants during the 2010-11 fiscal year. Required contributions made to PEORP totaled $344,487.33.

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

Effective July 1, 2011, all members of FRS, except for DROP participants and reemployed retirees who are not eligible for renewed membership, are required to contribute 3 percent of their compensation to FRS.

15. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

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

Funding Policy. Plan contribution requirements of the District and Plan members are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2010-11 fiscal year, 81 retirees received other postemployment benefits and 255 received life insurance benefits. The District provided required contributions of $383,015 toward the annual OPEB cost, net of retiree contributions totaling $397,047, which represents 1.8 percent of covered payroll.

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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 Plan, and changes in the District's net OPEB obligation:

Description	Amount
Normal Cost (service cost for one year)	$ 187,654
Amortization of Unfunded Actuarial Accrued Liability	464,181
Annual Required Contribution	651,835
Interest on Net OPEB Obligation	41,077
Adjustment to Annual Required Contribution	(114,834)
Annual OPEB Cost (Expense)	578,078
Contribution Toward the OPEB Cost	(383,015)
Increase in Net OPEB Obligation	195,063
Net OPEB Obligation, Beginning of Year	1,173,633
Net OPEB Obligation, End of Year	$ 1,368,696

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2011 and the preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	$ 1,129,465	45.7%	$ 613,580
2009-10	1,162,283	51.8%	1,173,633
2010-11	578,078	66.3%	1,368,696

Funded Status and Funding Progress. As of October 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was $4,663,121, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $4,663,121 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $22,667,839, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 20.6 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding

the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The District's OPEB actuarial valuation as of October 1, 2010, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and the fiscal year annual required contribution as of June 30, 2011. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.5 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The investment rate of return includes a general price inflation rate of 3 percent. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 9 percent initially for the 2010-11 fiscal year, reduced by decrements each year, to an ultimate rate of 5 percent after eight years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 10 years.

16. 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, 2011:

Major Funds				
General	Special Revenue - Other	Special Revenue - Federal Economic Stimulus Fund	Nonmajor Funds	Total Governmental Funds
$ 674,178	$ 70,642	$ 15,807	$ 457,818	$ 1,218,445

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

17. RISK MANAGEMENT PROGRAMS

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

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

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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, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 50,000.00	$ 50,000.00	$ 60,219.77	$ 10,219.77
Federal Through State and Local	200,000.00	320,482.51	294,127.07	(26,355.44)
State	28,436,766.00	29,097,268.79	28,189,013.56	(908,255.23)
Local:				
Property Taxes	9,834,396.00	9,834,396.00	10,037,779.10	203,383.10
Charges for Services			534,755.55	534,755.55
Miscellaneous	793,200.00	1,012,379.72	673,480.00	(338,899.72)
Total Revenues	39,314,362.00	40,314,527.02	39,789,375.05	(525,151.97)
Expenditures				
Current - Education:				
Instruction	24,505,548.00	26,545,208.12	23,333,664.91	3,211,543.21
Pupil Personnel Services	1,463,670.00	1,709,295.66	1,586,422.61	122,873.05
Instructional Media Services	723,996.00	751,713.48	690,030.14	61,683.34
Instruction and Curriculum Development Services	371,852.00	420,858.71	414,311.43	6,547.28
Instructional Staff Training Services	306,483.00	393,364.93	275,264.72	118,100.21
Instruction Related Technology	389,705.00	423,965.66	392,504.73	31,460.93
School Board	280,440.00	296,895.41	289,565.86	7,329.55
General Administration	1,619,173.00	1,459,240.12	577,133.76	882,106.36
School Administration	2,899,553.00	3,120,653.99	2,915,527.17	205,126.82
Facilities Acquisition and Construction	39,003.00	183,966.84	52,752.56	131,214.28
Fiscal Services	451,570.00	472,491.35	401,593.01	70,898.34
Food Services	4,000.00	7,109.08	3,907.08	3,202.00
Central Services	773,343.00	901,662.27	699,643.61	202,018.66
Pupil Transportation Services	3,178,605.00	3,328,435.60	2,984,901.48	343,534.12
Operation of Plant	5,008,349.00	4,898,503.24	3,098,897.16	1,799,606.08
Maintenance of Plant	1,325,003.00	1,741,899.93	1,508,443.95	233,455.98
Administrative Technology Services	331,831.00	298,514.99	248,420.80	50,094.19
Community Services	48,303.00	50,647.28	47,189.68	3,457.60
Fixed Capital Outlay:				
Facilities Acquisition and Construction		50,000.00	38,463.84	11,536.16
Other Capital Outlay		100,000.00	73,568.37	26,431.63
Total Expenditures	43,720,427.00	47,154,426.66	39,632,206.87	7,522,219.79
Excess (Deficiency) of Revenues Over Expenditures	(4,406,065.00)	(6,839,899.64)	157,168.18	6,997,067.82
Other Financing Sources				
Transfers In	302,198.00	302,198.00	302,198.00	
Total Other Financing Sources	302,198.00	302,198.00	302,198.00	
Net Change in Fund Balances	(4,103,867.00)	(6,537,701.64)	459,366.18	6,997,067.82
Fund Balances, Beginning	9,409,526.24	9,409,526.24	9,409,526.24	
Fund Balances, Ending	$ 5,305,659.24	$ 2,871,824.60	$ 9,868,892.42	$ 6,997,067.82

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$	$ 696,966.50	$ 695,944.18	$ (1,022.32)	$	$	$	$
7,355,788.70	7,689,126.76	5,836,086.23	(1,853,040.53)	3,282,473.69	4,503,979.69	4,141,508.63	(362,471.06)
7,355,788.70	8,386,093.26	6,532,030.41	(1,854,062.85)	3,282,473.69	4,503,979.69	4,141,508.63	(362,471.06)
4,966,767.70	5,965,281.37	4,587,428.89	1,377,852.48	2,871,597.69	4,162,933.60	3,867,985.46	294,948.14
253,514.00	244,909.44	173,036.03	71,873.41	300,562.00	178,096.24	149,793.46	28,302.78
626,851.00	687,654.83	609,967.53	77,687.30	2,991.00	1,404.29	1,404.29	
1,226,567.00	1,232,835.44	964,875.60	267,959.84	8,861.00	5,599.36	5,599.36	
159,432.00	141,785.55	89,492.20	52,293.35	25,667.00	25,084.46	21,539.14	3,545.32
					10,550.00	10,550.00	
	17,975.00	17,975.00					
122,657.00	16,575.29	10,178.82	6,396.47	72,795.00	42,007.26	6,332.44	35,674.82
	79,076.34	79,076.34			78,304.48	78,304.48	
7,355,788.70	8,386,093.26	6,532,030.41	1,854,062.85	3,282,473.69	4,503,979.69	4,141,508.63	362,471.06
$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011

1. BUDGETARY BASIS OF ACCOUNTING

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

2. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	$ 518,862.34
National School Lunch Program	10.555	300, 350	1,658,858.44
Summer Food Service Program for Children	10.559	323	76,940.82
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)	None	119,170.72
Total Child Nutrition Cluster			2,373,832.32
Florida Department of Education:			
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	17,975.00
Total United States Department of Agriculture			2,391,807.32
United States Department of Labor:			
Indirect:			
WIA Cluster:			
Florida Workforce, Inc.:			
WIA Adult Program	17.258	None	62,728.13
WIA Youth Activities	17.259	None	60,114.46
WIA Dislocated Workers	17.260	None	138,524.61
Total United States Department of Labor			261,367.20
United States Department of Education:			
Direct:			
Federal Pell Grant Program	84.063	N/A	695,944.18
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	974,421.83
Special Education - Preschool Grants	84.173	267	34,116.37
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	703,952.84
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	23,520.57
Total Special Education Cluster			1,736,011.61
Title I, Part A Cluster:			
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	2,279,402.68
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223, 226	339,285.80
Total Title I, Part A Cluster			2,618,688.48
Education for Homeless Children and Youth Cluster:			
Florida Department of Education:			
Education for Homeless Children and Youth	84.196	127	54,566.73
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	31,311.42
Total Education for Homeless Children and Youth Cluster			85,878.15
State Fiscal Stabilization Fund Cluster:			
Florida Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	1,837,525.00
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	46,001.00
Total State Fiscal Stabilization Fund Cluster			1,883,526.00
Florida Department of Education:			
Adult Education - Basic Grants to States	84.002	191	99,512.91
Migrant Education - State Grant Program	84.011	217	371,448.23
Career and Technical Education - Basic Grants to States	84.048	161	237,336.74
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	5,514.61
Twenty-First Century Community Learning Centers	84.287	244	445,281.33
Education Technology State Grants	84.318	121	721,932.34
Rural Education	84.358	110	187,389.54
English Language Acquisition Grants	84.365	102	40,869.24
Improving Teacher Quality State Grants	84.367	224	366,318.68
Education Jobs Fund	84.410	541	1,159,912.00
Total Indirect			9,959,619.86
Total United States Department of Education			10,655,564.04
United States Department of Homeland Security:			
Indirect:			
Florida Department of Education:			
Homeland Security Grant Program	97.067	532	39,002.56
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	60,219.77
Total Expenditures of Federal Awards			$ 13,407,960.89

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. Represents the amount of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

AUDITOR GENERAL
STATE OF FLORIDA

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Suwannee County District School Board as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Suwannee County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
February 17, 2012

DAVID W. MARTIN, CPA
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AUDITOR GENERAL
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The President of the Senate, the Speaker of the
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Legislative Auditing Committee

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

Compliance

We have audited the Suwannee County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2011. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Respectfully submitted,



David W. Martin, CPA
February 17, 2012

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	Yes
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes
Identification of major programs:	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 - ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 - ARRA, and 84.392 - ARRA); Federal Pell Grant Program (CFDA No. 84.063); Education Technology State Grants (CFDA No. 84.318); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 - ARRA and 84.397 - ARRA); Education Jobs Fund Program (CFDA No. 84.410)
Dollar threshold used to distinguish between Type A and Type B programs:	$402,238
Auditee qualified as low-risk auditee?	No

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

ADDITIONAL MATTERS

Finding No. 1: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes (2010),[1] provided that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes (2010), required the Board to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and was required to provide differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not adopted formal policies and procedures to ensure that a portion of each instructional employee's compensation was based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010). Such policies and procedures could establish and communicate the performance measures affecting instructional employee compensation. In addition, the Board had not adopted formal policies and procedures establishing the documented process to identify the instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes (2010). Such policies and procedures could specify the prescribed factors to be used as the basis for determining differentiated pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2010-11 fiscal year salary schedule and applicable union contract for instructional personnel and school-based administrators provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes (2010), could be improved, as follows:

- **Instructional Personnel**. Contrary to Section 1012.22(1)(c)2., Florida Statutes (2010), the instructional personnel salary schedule and union contract did not evidence that a portion of the compensation of each instructional employee was based on performance.

  The instructional personnel salary schedule and union contracts provided salary supplements for additional responsibilities beyond the standard work day, such as supplements for athletic and drama coaches and department chairpersons. Also, the salary schedule and union contracts evidenced consideration of school demographics by providing additional compensation to instructional personnel for transferring to a "D" or

[1] Section 1012.22, Florida Statutes, was amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.22(1)(c)4.b., Florida Statutes, the District must base a portion of each employee's compensation upon performance demonstrated under Section 1012.34, Florida Statutes, and provide differentiated pay for instructional personnel and school administrators based upon district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

"F" school; critical shortage areas for instructional personnel hired as exceptional student education teachers or reading coaches; and level of job performance difficulties for instructional personnel assigned to teacher mentor positions. Since the District did not have any "D" or "F" schools during the 2010-11 fiscal year, no additional compensation was paid to instructional personnel based on the school demographics differentiated pay factor. However, since there were no D or F schools for the last three fiscal years, the usefulness and relevance of the established school demographics differentiated pay factor was not readily apparent.

- **School-based Administrators**. The school-based administrators' salary schedule evidenced consideration for additional responsibilities, school demographics, and level of job performance difficulties by the differing administrative pay grades for elementary, middle, and high schools based on the type school. The District's salary schedule also evidenced consideration of critical shortage areas for school-based administrators by providing for an incentive for transfer to a "D" or "F" school. District personnel further indicated, as similarly noted above, that since the District had no "D" or "F" schools during the 2010-11 fiscal year, no additional compensation was paid to school-based administrators based on the critical shortage areas factor. However, since the District had no "D" or "F" schools, the usefulness and relevance of the criteria used for the critical shortage areas pay factor was not readily apparent.

District personnel indicated that salary schedule revisions to comply with the statutory performance and differentiated pay requirements and new performance assessment documents are being developed. However, without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for the differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlates to their compensation and the various differentiated pay factors are consistently considered and applied. A similar finding was noted in our report No. 2011-132.

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

Finding No. 2: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2010-152, Laws of Florida, Specific Appropriation 109, states that from funds provided in Specific Appropriations 9 and 109, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures for reporting instructional hours state that institutions must develop a procedure for withdrawing students for nonattendance and the that the standard for setting the withdrawal date shall be six consecutive absences from a class schedule.

For the 2010-11 fiscal year, the District reported to FDOE 44,208 adult general education contact hours for 528 students. Our review of the hours reported for 15 students enrolled in 36 adult general education classes for 1,297 hours disclosed that the District overreported and underreported 476 and 122 instructional contact hours for nine and five students, respectively, or a net 354 hours overreported. District personnel indicated that the reporting errors were caused mainly by data entry errors and reporting hours based on actual attendance dates instead of

enrollment and withdrawal dates. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly.

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

Finding No. 3: Information Technology - Disaster Recovery Plan

An important element of an effective internal control system over information technology (IT) operations is a disaster recovery plan to help minimize data and asset loss in the event of a major hardware or software failure. A disaster recovery plan should identify the critical applications, provide for backups of critical data sets, and provide a step-by-step plan for recovery. In addition, plan elements should be tested periodically to disclose any areas not addressed and to facilitate proper conduct in an actual disruption of IT operations.

The District had prepared an IT disaster recovery plan; however, the plan lacked the specific processes and procedures to be followed to affect the recovery and restoration of financial, payroll, student records, and other critical applications. Such processes and procedures would include identification and prioritization of critical IT applications and systems and identification of disaster recovery team members and their respective roles and responsibilities. In addition, the plan had not been tested locally to determine operability.

Without an adequately detailed disaster recovery plan, and periodic testing of the plan, the risk exists that the District may be unable to continue critical operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations.

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

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Education
Award Number: P063P102955
Program: Federal Pell Grant Program (CFDA No. 84.063)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: $1,041

Special Provision – Administrative Capability. The District had expenditures totaling approximately $696,000 to 181 students from the Federal Pell Grant Program (Pell) at Suwannee Hamilton Technical Center (SHTC) during the 2010-11 fiscal year. To continue participation in the program, Federal regulations require the District to demonstrate to the United States Department of Education (ED) that it is capable of adequately administering the Pell program under various standards established in Title 34, Section 668.16, Code of Federal Regulations (CFR). These administrative capability standards include requirements such as:

- The District's ability to administer the program in accordance with all statutory provisions;

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

As discussed below, our review of Pell program activities disclosed various control deficiencies and noncompliance with Federal regulations that are likely attributable, in whole or in part, to an inadequate administrative capability by District personnel.

Financial Reporting. The District was required to report all disbursements and adjustments for the 2010-11 award year to ED by September 30, 2011. The District elected to report this information through the common origination and disbursement (COD) system, which is a streamlined method for processing, storing, and reconciling Pell financial aid information. Origination documentation in the District's accounting and financial aid records include the student's award amount and disbursement record reports, actual disbursement dates, and amount for each disbursement made. However, SHTC did not have procedures for reconciling award and disbursement amounts reported in the COD system with the school's award and disbursement records to ensure the accuracy of information provided to ED through COD.

Our initial comparison of Pell disbursements totaling $111,441 for 30 students in the District records to the COD system disclosed an instance in which the COD system reported a disbursement of $2,775 for one student, but District records indicated only $2,275 in disbursements to the student. Subsequent to our inquiry, the District made a disbursement of $500 to the student in September 2011 to correct the award underpayment. We also noted that the COD system incorrectly reported a disbursement of $1,511 to another student, although District records indicated that the entire award was cancelled and no funds were disbursed. As of January 2012, the District had taken no corrective action in the COD system for this error.

We expanded our tests to compare disbursements for the remaining 151 students in the COD system, which totaled $583,199, to District record disbursements, and noted differences for five additional students as follows:

- For three students, the COD system reported disbursements totaling $16,650, while District records indicated that only $8,325 in actual disbursements were made to the students. Subsequent to our inquiry, the District corrected the COD system disbursement amount consistent with District records.
- For two students, District records indicated disbursements totaling $5,550 although these students were not reported in the COD system. Subsequent to our inquiry, the District corrected the COD system disbursement amount consistent with District records.

Title 34, Section 668.164, CFR, defines the disbursement date as the date the District makes a disbursement to a student's account at the District or pays a student directly. Our tests of 47 disbursements to the 30 students in our test disclosed 38 disbursements, totaling $87,952, in which the disbursement date recorded in the COD system was from 137 days before the actual disbursement to 7 days after the date the funds were credited to the student's account or paid directly to the student. Because several regulatory requirements are based on that date, including when the student becomes a Federal student aid (FSA) recipient and has the rights and responsibilities of a FSA recipient, it is important to properly enter the disbursement date in the COD system. Incorrect disbursement dates recorded in the COD system increases the risk that students may not receive additional Federal program funding to which they are entitled.

Eligibility. Title 34, Sections 690.62 and 690.63(e), CFR, provide guidance on calculating Pell grant awards; however, District procedures did not always provide for correct calculations of Pell awards. Our test of the 30 student awards disclosed three students with awards that the District miscalculated because the enrollment hours were wrong or an outdated formula for less than full-time award was used, resulting in underawards totaling $2,970. Subsequent to our inquiry, the District made corrections to student award calculations and made disbursements to the students to correct the award underpayments. In addition, the District did not document the citizenship status for one of the 30 students tested. Subsequent to our inquiry, the District refunded the entire Pell award of $2,775 for this student to ED to remedy this questioned cost.

Special Tests and Provisions – Disbursements. For clock-hour programs, the FSA Handbook requires that students receive the first disbursement upon start of the program or academic year. Our test of the 30 student awards disclosed that SHTC did not make the initial disbursements totaling $47,800 to 19 students until the student had attended 60 percent of the hours in the payment period. Although SHTC personnel indicated that the funds were not disbursed timely to avoid having to collect unearned funds previously disbursed should students subsequently withdraw from class, this would not exempt SHTC from compliance with the requirements of the FSA Handbook.

Special Test and Provisions – Return of Pell Grant Funds. Title 34, Section 668.22, CFR, requires the District to determine the amount of Pell program funds that students earned as of the student's withdrawal date. Title 34, Section 668.22(j)(1), CFR, requires the District to return such unearned funds to ED within 45 days. Although the SHTC's student financial aid handbook had policies addressing withdrawals, return of Pell grant funds, and post-withdrawal disbursements, our review of the five students from our eligibility tests who received Pell grant funds and withdrew disclosed that the District did not have procedures in place to correctly calculate and process returns to ED, as follows:

- For one of the student withdrawals, the District cancelled a $869 student check and 100 percent of institutional charges for tuition and books totaling $1,511, and reported a disbursement of $1,511 in the COD system. However, based on our calculations, the student was actually due a post-withdrawal disbursement of $1,499, which could have been applied to the institutional charges.
- For two of the student withdrawals, the District incorrectly calculated the refund due as $1,207; however, based on our calculations, no refund was due from the students. In addition, the District had not returned $1,041 to ED for unearned institutional charges for the two students, which represent questioned costs subject to disallowance by the grantor.

A similar finding was noted in our report No. 2011-132.

Recommendation: The District should make appropriate changes to meet the Federal administrative capability requirements of the Pell program. Also, the District should establish adequate procedures over the program to ensure that program receipts and disbursements are consistent with Federal requirements, and document to the grantor (ED) the allowability of the remaining $1,041 of questioned costs or restore this amount to the Pell program. In addition, the District should recalculate Pell grant return amounts to ED for all students who withdrew during the fiscal year and make any necessary corrections.

District Contact Person: Vickie Music, Chief Financial Officer

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS,** the District had taken corrective actions for findings included in our report No. 2011-132.

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, 2011

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2010-079 (1)	Title I, Part A Grants to Local Educational Agencies (CFDA No. 84.010) and School Improvement Grants (CFDA No. 84.377) / Allowable Costs/Cost Principles	The District paid $13,950 from Title I and School Improvement funds for a feasibility study, without prior approval by the grantor, resulting in questioned costs.	Corrected	The entire amount of $13,950 was restored to Federal programs based upon final determination from the grantor.
2011-132 (1)	Federal Pell Grant Program (CFDA No. 84.063) - Eligibility, Reporting, and Special Tests and Provisions	Controls for the Federal Pell Grant Program were not adequate to ensure proper administration of the grant, resulting in questioned costs of $65,751.	Partially corrected	The District has provided all requested data to the Federal administrators of the Pell program and is currently awaiting a determination from the grantor.

EXHIBIT A

MANAGEMENT'S RESPONSE

SUWANNEE COUNTY SCHOOL BOARD

Serving The Children Of Our Community

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DISTRICT 3
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DISTRICT 4
J. M. HOLTZCLAW
DISTRICT 5
LEONARD J. DIETZEN, III
BOARD ATTORNEY

February 17, 2012

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, 2011.

Finding No. 1: Compensation and Salary Schedules

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

Finding No. 2: Adult General Education Classes

The District will enhance its controls over the reporting of instructional contact hours for adult general education classes to FDOE. The District will consult with FDOE and with other districts to obtain technical assistance and guidance in the proper manner to report contact hours for these classes, as well as to determine a proper resolution for misreported hours.

Finding No. 3: Information Technology – Disaster Recovery Plan

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

EXHIBIT A

MANAGEMENT'S RESPONSE (CONTINUED)

Mr. David W. Martin, CPA
Auditor General
February 10, 2012
Page 2

Federal Award Findings and Questioned Costs

Finding No. 1:

The District accepts the Auditor General's finding related to the Federal Pell Grant program. The District will make appropriate changes to meet the Federal administrative capability requirements of the Pell program. Furthermore, the District will establish adequate procedures over the program to ensure that program receipts and disbursements are consistent with Federal requirements going forward. The District will contact the grantor to determine the allowability of $1,041 in questioned costs or will restore this amount to the PELL program. Finally, the District will recalculate PELL grant return amounts to the grantor for all students who withdrew during the fiscal year and make any necessary corrections.

The Suwannee County District School Board accepts your comments and recommendations with regard to its fiscal year 2010-2011 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