

AUDITOR GENERAL
DAVID W. MARTIN, CPA

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended June 30, 2007

Suwannee County District School Board members and the Superintendent of Schools who served during the 2006-07 fiscal year are shown in the following tabulation:

	<i>District</i>
	<u><i>No.</i></u>
<i>Jerry L. Taylor, Vice-Chair from 11-21-06</i>	<i>1</i>
<i>Muriel S. Owens</i>	<i>2</i>
<i>Julie B. Ulmer, Vice-Chair to 11-20-06, Chair from 11-21-06</i>	<i>3</i>
<i>Barbara Ceryak to 11-20-06, Chair</i>	<i>4</i>
<i>James Cooper from 11-21-06</i>	<i>4</i>
<i>J. M. Holtzclaw</i>	<i>5</i>

Walter Boatright, Jr., Superintendent

AUDITOR GENERAL

The Auditor General provides independent, unbiased, timely, and relevant information to the Legislature, entity management, and the citizens of the State of Florida which can be used to improve the operations and accountability of public entities.

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

The Suwannee County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2007, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

The District has established and implemented procedures that generally provide for internal control of District operations. The District generally complied with significant provisions of laws, administrative rules, regulations, contracts, and grant agreements. However, we did note internal control and compliance findings that are summarized below.

Finding No. 1: Financial Reporting

Improvements are needed in District procedures to ensure the accuracy and completeness of the financial statements.

Finding No. 2: Budget Administration

Although sufficient resources were available, actual expenditures exceeded the Board-approved amended budget for two functional expenditure categories in the General Fund by amounts totaling \$151,645.59.

Finding No. 3: Competitive Procurement

The District should comply with the competitive bid process established in State Board of Education rules and Board policies.

Finding No. 4: Cellular Phones

The District had not implemented policies and procedures to monitor the business use of cell phones. In addition, the District had not included the value of these services in the income reported on the employees' W-2 forms.

Finding No. 5: Fingerprinting and Background Checks

Improvements were needed in District procedures for timely obtaining fingerprints and background screenings for employees and contractual personnel who have direct contact with students or may be on campus when students are present.

Finding No. 6: Employee/Independent Contractor Status

The District made payments, totaling \$58,082.50, to an individual who the District classified as an independent contractor even though the individual performed duties similar to those performed by individuals classified as employees.

Finding No. 7: Information Technology – Security Controls

The District should improve security controls protecting the District's information technology resources, the specific details of which are not disclosed to avoid the possibility of compromising District resources.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I and Special Education Cluster programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

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 management controls that promote and encourage: 1) compliance with applicable laws, administrative rules, and other guidelines; 2) the economic, effective, 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 law, administrative rules, regulations, and contracts and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Corrected, or are in the process of correcting, all deficiencies disclosed in our report No. 2007-136.

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, 2007. We obtained an understanding of internal control and assessed control risk 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, administrative 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*.

This audit was coordinated by Glenda K. Hart, CPA, and supervised by Robert L. Kuitert, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, via e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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

FINDINGS AND RECOMMENDATIONS

Significant Deficiency

Finding No. 1: Financial Reporting

Our review of the District's 2006-07 fiscal year annual financial report, as presented for audit, indicated that enhancements in procedures could be made for reporting certain account balances on the financial statements. For example, we noted that the District's financial statements, before audit adjustments, did not include liabilities totaling \$286,177.87 in the General Fund, \$193,766.13 in the Capital Projects - District Bonds Fund, and \$23,835.00 in the Other Governmental Funds. The unreported amounts occurred mainly because District procedures did not identify all current liabilities at fiscal year-end. We extended our audit procedures to determine the adjustments necessary, and adjustments were accepted by the District to properly report the account balances.

Recommendation: To facilitate necessary financial reporting, the District should enhance procedures to ensure the accuracy and completeness of the financial statements.

Additional Matters

Finding No. 2: Budget Administration

The process for adopting and amending the budget should afford a governmental entity with a mechanism to plan a level of expenditures to meet its obligations while remaining within the financial resources available to the entity to meet those obligations. If the budget is not properly monitored and amended to meet changing financial circumstances, there is an increased risk that an entity's expenditures will exceed available resources. Our review of the District's budget process indicated that the original budget was prepared and approved in accordance with applicable laws and rules; however, we noted that the District could improve its budgetary control process.

Section 1011.06(1), Florida Statutes, provides that expenditures shall be limited to the amounts budgeted under the classification of accounts provided for each fund and to the total amount of the budget after all amendments. State Board of Education Rule 6A-1.006, Florida Administrative Code, specifies that "No expenditure shall be authorized or obligation incurred which is in excess of a budgetary appropriation. . . . The school board shall approve amendments to the district school budget whenever the function and object amounts in the accounts prescribed by the State Board for the budget form are changed in the original budget approved by the school board."

Our review disclosed that, although sufficient resources were available, actual expenditures exceeded the Board-approved amended budget for two functional expenditure categories in the General Fund by amounts totaling \$151,645.59.

Recommendation: The Board should enhance its procedures to ensure that the budget is properly monitored and timely amended to meet changing financial circumstances, as required by State law and rules.

Finding No. 3: Competitive Procurement

State Board of Education Rule 6A-1.012(6), Florida Administrative Code, requires that bids shall be requested from three or more sources for any authorized purchase or contract for services exceeding the amount (\$25,000) established in Section 287.017, Florida Statutes. Additionally, Board Policy 7.14, *Purchasing Policies and Bidding*, requires that bids shall be requested from three or more sources for any purchase exceeding \$15,000 unless the item is purchased on the basis of an established State contract or is otherwise exempted from bidding by law or State Board of Education Rules.

Our review of expenditures disclosed that the District contracted with a vendor for the installation of a fire alarm system for \$57,307, and also contracted with the same vendor for the installation of a chiller and lighting at one school at a total cost of \$222,245, neither of which was acquired through a competitive bid process. Obtaining bids through advertisements or other circulated requests provides a method of documenting that the purchasing process encouraged fair and open competition and participation by vendors, and that the least cost is paid by the District consistent with acceptable quality and performance.

Recommendation: District purchases exceeding the bid threshold should be obtained pursuant to a request for competitive bids, and such bids should be documented to evidence the fairness of the bid purchasing process.

Finding No. 4: Cellular Phones

The District provided cellular telephones (cell phones) to certain employees for use in performing their duties. According to the District's records, 48 cell phones were used during the 2006-07 fiscal year at a cost of approximately \$25,000.

Pursuant to United States Treasury Regulations, Section 1.274-5T(e), an employee may not exclude from gross income any amount of the value of property listed in Section 280F(d)(4) of the Internal Revenue Code (IRC), unless the employee substantiates the amount of the exclusion in accordance with the requirements of Section 274(d) IRC, and United States Treasury Regulations, Section 1.274-5T. Because cell phones are listed property, their use is subject to the substantiation requirements of the United States Treasury Regulations, Section 1.274-5T(b)(6), which require employees to submit records to the District to establish the amount, date, place, and business purpose for each business call. A notated copy of the employee's cell phone bill is an example of such a record. In addition, employers must review the employee's cell phone bills to confirm the cell phone was only used for business. In the absence of implementation of these policies and procedures, the District should report appropriate amounts as income to the IRS in accordance with Federal requirements.

The District has adopted a formal policy governing the use of District communications equipment and restricting usage to business purposes. The District allows each department or school to determine cell phone purchases and monitoring procedures; however, the District does not monitor cell phone usage by review of the cell phone bills to determine the extent of personal use, if any. As such, the District should have reported to the Internal Revenue Service (IRS) the value of cell phone services provided to each employee assigned a cell phone. Our review disclosed that the District had not included the value of these services in the income reported on the 2006 calendar year W-2 forms for these employees.

Recommendation: The District should confer with the IRS regarding development and implementation of a policy and procedure, as appropriate, and any corrective actions regarding previously unreported income.

Finding No. 5: Fingerprinting and Background Checks

The District should improve its procedures for timely obtaining fingerprints and background screenings for employees and contractual personnel who have direct contact with students or may be on campus when students are present. Section 1012.56(9), Florida Statutes, requires that instructional personnel undergo a level 2 background screening, which includes fingerprinting, every five years following initial certification by the Florida Department of Education. Our tests of ten instructional staff that were recertified in the 2006-07 fiscal year disclosed that, contrary to this Statute, the District had not conducted the required fingerprinting and background screenings for four of the personnel tested.

Section 1012.465, Florida Statutes, requires contractual personnel who are permitted access on school grounds when students are present or who have direct contact with students to undergo a background screening every five years, including a requirement that such staff file a complete set of fingerprints. Contractual personnel shall include any vendor, individual, or entity under contract with the school board. Our tests of ten contractual personnel who had direct access to students disclosed that the District did not have current and complete fingerprints or background checks on file for two contractors, a test administrator and an instructor for the blind.

When required fingerprinting and background screenings are not performed, there is an increased risk that individuals with inappropriate backgrounds will be granted direct contact with students.

Recommendation: The District should enhance its procedures to ensure that required fingerprinting and background screenings are performed for all staff and contractual personnel on a timely basis.

Finding No. 6: Employee/Independent Contractor Status

The District made payments, totaling \$58,082.50, to an individual who the District classified as an independent contractor even though the individual performed duties similar to those performed by individuals classified as employees. The contracted individual was responsible for assisting and coordinating Pre-K activities. The individual completed biweekly time sheets, typically documenting 8 hours per day, 5 days a week, which were

signed by the individual in the space provided for "Employee Signature" and approved by the District's Director of Elementary Programs. The individual was paid for a total of approximately 1,660 hours in the 2006-07 fiscal year. We also noted that this individual was a former employee of the District who retired in June 2005.

District records evidencing the payments to this individual did not clearly differentiate her duties, and the manner in which such duties were accomplished, from those of individuals classified as administrative employees who were performing similar assignments under similar conditions. It is important to include adequate information in the public records to evidence the propriety of classifying individuals as independent contractors since the District is responsible for paying payroll taxes and retirement contributions on employees, and may be subject to additional payroll taxes and penalties for individuals classified as independent contractors that the District should have classified as employees.

Recommendation: The District should confer with the Internal Revenue Service and obtain a determination as to this individual's employment status. Absent documented authority for the classification as an independent contractor, the District should amend its payroll reporting and remit any required payroll taxes and retirement contributions to the appropriate Federal and State agencies.

Finding No. 7: Information Technology – Security Controls

Improvements were needed in the District's security controls protecting the District's information technology resources. Specific details of these improvements are not disclosed in this report to avoid the possibility of compromising District resources. However, appropriate District personnel have been notified of the needed improvements. Weaknesses in access controls could increase the risk that individuals could gain unauthorized access to the system without timely detection.

Recommendation: The District should strengthen its access controls over information technology resources.

PRIOR AUDIT FINDINGS

Except as discussed in the preceding paragraphs, the District corrected the deficiencies and exceptions cited in our report No. 2007-136.

MANAGEMENT RESPONSE

In accordance with the provisions of Section 11.45(4)(d), Florida Statutes, a list of audit findings and recommendations was submitted to members of the Suwannee County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations is included in the Management Response Section of this report, beginning on page 54.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534/SC 278-5534
Fax: 488-6975/SC 278-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Suwannee County District School Board as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed on page 5. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 57 percent of the assets and 62 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the Suwannee Foundation for Excellence in Education, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose reports have been provided to us, and our opinion, insofar as it relates to the amounts included for the school internal funds and the discretely presented component unit, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The Management's Discussion and Analysis (pages 8 through 13) and the Budgetary Comparison Schedule (shown as exhibits I and J) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

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

Respectfully submitted,



David W. Martin, CPA
February 15, 2008

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, 2007. 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 14 through 42.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2006-07 fiscal year are as follows:

- In total, net assets increased \$8,127,666, which represents a 20.7 percent increase from the 2005-06 fiscal year.
- General revenues total \$51,264,608, or 87 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$7,669,735, or 13 percent.
- Expenses total \$50,806,677; only \$7,669,735 of these expenses were offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$8,127,666.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals \$1,371,318 at June 30, 2007, or 3.5 percent of total General Fund expenditures.
- The Special Revenue – Food Service Fund had a declining fund balance at June 30, 2007. This decline was partially attributed to an increase in the cost of food, as well as the need to purchase a major capital outlay item in one of the school cafeteria kitchens. A transfer was made from the General Fund in the amount of \$31,340.34 to eliminate the negative fund balance.
- The Capital Projects – Local Capital Improvement Fund had a declining fund balance at June 30, 2007. This decline was partially attributed to the payment on the special facilities advance. A transfer was made from the General Fund in the amount of \$360,676.48 to eliminate the negative fund balance.
- The District's total debt decreased by \$7,822,034, or approximately 53 percent. The key factor in this decrease was the redemption of principal in the amount of \$9,066,815, which included repayment of a \$4,000,000 revenue anticipation note for the construction of the new K-5 elementary school, as well as repayment of \$4,750,003 for a Public Education Capital Outlay Special Facilities advance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the primary government presented on the accrual basis of

accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

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

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

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

Fund Financial Statements

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

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Capital Projects – Public Education Capital Outlay Fund, Capital Projects – District Bonds 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 Fund 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, 2007, compared to net assets as of June 30, 2006:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-07	6-30-06
Current and Other Assets	\$ 8,829,717	\$ 6,347,526
Capital Assets	51,043,803	52,523,400
Total Assets	59,873,520	58,870,926
Long-Term Liabilities	10,225,358	17,824,468
Other Liabilities	2,348,091	1,874,053
Total Liabilities	12,573,449	19,698,521
Net Assets:		
Invested in Capital Assets -		
Net of Debt	44,102,399	37,759,963
Restricted	4,437,554	3,204,612
Unrestricted (Deficit)	(1,239,882)	(1,792,170)
Total Net Assets	\$ 47,300,071	\$ 39,172,405

The largest portion of the District's net assets (93.2 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets represents resources that are subject to external restrictions on how they may be used.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2007, and June 30, 2006, are as follows:

	Operating Results for the Year	
	Governmental Activities	
	6-30-07	6-30-06
Program Revenues:		
Charges for Services	\$ 1,131,459	\$ 1,319,021
Operating Grants and Contributions	2,924,096	2,899,157
Capital Grants and Contributions	3,614,180	735,754
General Revenues:		
Property Taxes, Levied for Operational Purposes	8,613,170	6,679,872
Property Taxes, Levied for Capital Projects	2,972,536	2,214,099
Grants and Contributions Not Restricted to Specific Programs	39,105,970	31,801,838
Unrestricted Investment Earnings	296,451	243,825
Miscellaneous	276,481	299,567
Total Revenues	58,934,343	46,193,133
Functions/Program Expenses:		
Instruction	26,891,345	25,112,044
Pupil Personnel Services	1,894,647	1,830,397
Instructional Media Services	660,604	680,318
Instruction and Curriculum Development Services	641,845	659,096
Instructional Staff Training Services	1,128,796	1,038,224
Board of Education	249,036	228,115
General Administration	799,121	766,038
School Administration	2,990,596	2,784,222
Facilities Acquisition and Construction	1,436,892	1,103,606
Fiscal Services	427,872	401,939
Food Services	2,385,299	2,197,354
Central Services	725,567	689,751
Pupil Transportation Services	2,721,094	2,650,964
Operation of Plant	3,065,425	2,856,960
Maintenance of Plant	1,484,739	1,077,039
Community Services	46,415	43,721
Interest on Long-Term Debt	271,426	230,059
Unallocated Depreciation Expense	2,970,560	2,539,475
Loss on Disposal of Capital Assets	15,398	129,522
Total Functions/Program Expenses	50,806,677	47,018,844
Increase (Decrease) in Net Assets	\$ 8,127,666	\$ (825,711)

The largest revenue source is the State of Florida (66.9 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.

State revenues increased by \$10,611,159, or 36.8 percent, primarily due to a Public Education Capital Outlay Special Facilities allocation of \$4,825,218 and a Class Size Reduction Construction allocation of \$2,719,924.

Instructional expenses represent 52.9 percent of total governmental expenses in the 2006-07 fiscal year. Instructional expenses increased by \$1,779,301, or 7.1 percent, from the previous year due mainly to a 4 percent pay raise, as well as the addition of instructional staff to meet the class size reduction requirements.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance is \$1,371,318, while the total fund balance is \$2,542,593. The unreserved fund balance increased by \$955,684, while the total fund balance increased by \$931,770 during the fiscal year. Key factors in this growth are as follows:

- An increase in local property values increased tax revenues by \$1,933,299.
- State revenues increased by \$2,365,152, or 8.4 percent, due mainly to an increase in funds related to the State class size reduction initiative.
- Total expenditures increased by \$3,138,998, or 8.6 percent, due mainly to a 4 percent pay increase, employment of additional staff, and an increase in required contributions to the Florida Retirement System.

The Capital Projects – Public Education Capital Outlay Fund and Capital Projects - District Bonds Fund have total fund balances of \$2,777,836 and \$1,080,850, respectively, all of which is restricted for the acquisition, construction, and maintenance of capital assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2006-07 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues amounting to \$808,110, or 2.1 percent. At the same time, final appropriations are more than the original budgeted amounts by \$2,160,111, or 5.5 percent

Actual revenues differ from the final budgeted amounts by \$539,620, while actual expenditures are \$1,855,780, or 4.5 percent, less than final budget amounts. Steps taken by the District to address reducing expenditures included a cutoff of all nonessential expenditures as well as reducing certain budgeted items by as much as 25 percent. Additionally, the District budgeted a 15 percent increase in utility costs, based on projections provided by its energy provider. However, the District did not experience this increase in utility expense and the savings were retained in the General Fund. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$2,395,400.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$51,043,803 (net of accumulated depreciation). This investment in capital assets includes land; improvements

other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; property under capital lease; construction in progress; and audio visual materials and computer software.

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

Long-Term Debt

At June 30, 2007, the District has total long-term debt outstanding of \$6,941,404. This amount is comprised of \$255,350 of capital leases, \$512,000 of note payable, \$1,500,000 of bonds payable, \$2,109,275 of certificates of participation payable, and \$2,564,779 of Public Education Capital Outlay Special Facilities advance payable.

Additional information on the District's long-term debt can be found in Notes 6 through 12 to the financial statements.

REQUESTS FOR INFORMATION

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

EXHIBIT - A
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government Governmental Activities	Component Unit
ASSETS		
Cash	\$ 5,637,158.60	\$ 9,217.00
Investments	43,214.44	
Accounts Receivable	868.23	4,118.00
Due from Other Agencies	2,826,654.69	
Inventories	321,821.47	
Capital Assets:		
Land	1,193,500.25	
Construction in Progress	98,815.20	
Improvements Other Than Buildings, Net	1,096,058.53	
Buildings and Fixed Equipment, Net	45,459,733.52	
Furniture, Fixtures, and Equipment, Net	1,714,032.64	
Motor Vehicles, Net	1,145,236.88	
Property Under Capital Lease, Net	309,638.70	
Audio Visual Materials and Computer Software, Net	26,787.27	
	<u>\$ 59,873,520.42</u>	<u>\$ 13,335.00</u>
TOTAL ASSETS		
	<u>\$ 59,873,520.42</u>	<u>\$ 13,335.00</u>
LIABILITIES		
Salaries and Benefits Payable	\$ 618,289.05	\$
Payroll Deductions and Withholdings	440,652.91	
Accounts Payable	23,835.00	4,000.00
Construction Contracts Payable	199,974.71	
Construction Contracts - Retainage Payable	19,376.62	
Due to Other Agencies	885,455.06	
Deposits Payable	23,570.54	
Deferred Revenue	136,937.54	
Other Accrued Liabilities		931.00
Long-Term Liabilities:		
Portion Due Within One Year:		
Obligations Under Capital Lease	47,074.69	
Bonds Payable	110,000.00	
Note Payable	128,000.00	
Special Public Education Capital Outlay Advance Payable	2,564,778.68	
Compensated Absences Payable	959,185.87	
Portion Due After One Year:		
Obligations Under Capital Lease	208,275.26	
Bonds Payable	1,390,000.00	
Note Payable	384,000.00	
Certificates of Participation Payable	2,109,275.00	
Compensated Absences Payable	2,324,768.59	
	<u>12,573,449.52</u>	<u>4,931.00</u>
Total Liabilities		
	<u>12,573,449.52</u>	<u>4,931.00</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	44,102,399.36	
Restricted for:		
Debt Service	43,214.44	
Capital Projects	3,858,685.56	
Other Purposes	535,653.78	
Unrestricted	(1,239,882.24)	8,404.00
	<u>47,300,070.90</u>	<u>8,404.00</u>
Total Net Assets		
	<u>47,300,070.90</u>	<u>8,404.00</u>
TOTAL LIABILITIES AND NET ASSETS		
	<u>\$ 59,873,520.42</u>	<u>\$ 13,335.00</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK.

EXHIBIT - B
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 26,891,344.97	\$ 162,372.77	\$	\$
Pupil Personnel Services	1,894,647.19			
Instructional Media Services	660,604.06			
Instruction and Curriculum Development Services	641,844.98			
Instructional Staff Training Services	1,128,795.51			
Board of Education	249,035.85			
General Administration	799,121.35			
School Administration	2,990,595.90			
Facilities Acquisition and Construction	1,436,892.40			3,614,180.16
Fiscal Services	427,872.42			
Food Services	2,385,298.55	783,220.64	1,437,896.06	
Central Services	725,566.76			
Pupil Transportation Services	2,721,094.04	46,843.53	1,486,200.00	
Operation of Plant	3,065,424.60			
Maintenance of Plant	1,484,738.89			
Community Services	46,414.80	139,021.72		
Interest on Long-Term Debt	271,425.90			
Unallocated Depreciation Expense	2,970,560.18			
Loss on Disposal of Capital Assets	15,398.30			
Total Primary Government	\$ 50,806,676.65	\$ 1,131,458.66	\$ 2,924,096.06	\$ 3,614,180.16
Component Unit				
Suwannee Foundation for Excellence in Education, Inc.	\$ 76,767.00	\$ 0.00	\$ 58,765.00	\$ 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 - July 1, 2006				
Net Assets - June 30, 2007				

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

EXHIBIT - B

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Unit</u>
<u>Activities</u>	
\$ (26,728,972.20)	\$
(1,894,647.19)	
(660,604.06)	
(641,844.98)	
(1,128,795.51)	
(249,035.85)	
(799,121.35)	
(2,990,595.90)	
2,177,287.76	
(427,872.42)	
(164,181.85)	
(725,566.76)	
(1,188,050.51)	
(3,065,424.60)	
(1,484,738.89)	
92,606.92	
(271,425.90)	
(2,970,560.18)	
<u>(15,398.30)</u>	
<u>(43,136,941.77)</u>	
	<u>(18,002.00)</u>
8,613,170.12	
2,972,535.80	
39,105,969.70	16,419.00
296,451.25	
<u>276,481.23</u>	
<u>51,264,608.10</u>	<u>16,419.00</u>
8,127,666.33	(1,583.00)
<u>39,172,404.57</u>	<u>9,987.00</u>
<u>\$ 47,300,070.90</u>	<u>\$ 8,404.00</u>

**EXHIBIT - C
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2007**

	<u>General Fund</u>	<u>Capital Projects - Public Education Capital Outlay Fund</u>	<u>Capital Projects - District Bonds Fund</u>
ASSETS			
Cash	\$ 3,619,094.58	\$	\$ 786,785.61
Investments			
Accounts Receivable			
Due from Other Funds	44,800.62	1,156,108.25	487,830.47
Due from Other Agencies	82,895.69	2,719,924.00	
Inventories	284,688.17		
TOTAL ASSETS	<u>\$ 4,031,479.06</u>	<u>\$ 3,876,032.25</u>	<u>\$ 1,274,616.08</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 618,148.80	\$	\$
Payroll Deductions and Withholdings	440,652.91		
Accounts Payable			
Construction Contracts Payable		25,585.20	174,389.51
Construction Contracts - Retainage Payable			19,376.62
Due to Other Funds	398,374.82	1,072,611.44	
Due to Other Agencies	8,139.29		
Deposits Payable	23,570.54		
Deferred Revenue			
Total Liabilities	<u>1,488,886.36</u>	<u>1,098,196.64</u>	<u>193,766.13</u>
Fund Balances:			
Reserved for Encumbrances	350,932.38		489,276.51
Reserved for Fuel Tax Rebate	158,132.51		
Reserved for Inventories	284,688.17		
Reserved for Other Purposes	377,521.27		
Reserved for Debt Service			
Unreserved, Reported in:			
General Fund	1,371,318.37		
Capital Projects Funds		2,777,835.61	591,573.44
Total Fund Balances	<u>2,542,592.70</u>	<u>2,777,835.61</u>	<u>1,080,849.95</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,031,479.06</u>	<u>\$ 3,876,032.25</u>	<u>\$ 1,274,616.08</u>

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

EXHIBIT - D
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total Fund Balances - Governmental Funds \$ 6,481,626.00

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 51,043,802.99

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

Obligations Under Capital Lease	\$ 255,349.95	
Bonds Payable	1,500,000.00	
Note Payable	512,000.00	
Special Public Education Capital Outlay Advance Payable	2,564,778.68	
Certificates of Participation Payable	2,109,275.00	
Compensated Absences Payable	<u>3,283,954.46</u>	<u>(10,225,358.09)</u>

Total Net Assets - Governmental Activities \$ 47,300,070.90

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

THIS PAGE INTENTIONALLY LEFT BLANK.

EXHIBIT - E
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007

	General Fund	Capital Projects - Public Education Capital Outlay Fund	Capital Projects - District Bonds Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 50,736.35	\$	\$
Federal Through State	198,582.94		
Federal Through Local State	261,841.65		
	30,390,540.34	8,765,202.29	
Local	9,370,947.43	84,663.98	
Total Revenues	40,272,648.71	8,849,866.27	
Expenditures			
Current - Education:			
Instruction	23,765,879.45		
Pupil Personnel Services	1,521,610.50		
Instructional Media Services	660,604.06		
Instruction and Curriculum Development Services	542,918.67		
Instructional Staff Training Services	566,616.87		
Board of Education	249,035.85		
General Administration	718,710.63		
School Administration	2,990,595.90		
Facilities Acquisition and Construction	147,180.23	441,953.84	444,391.80
Fiscal Services	427,872.42		
Food Services			
Central Services	725,566.76		
Pupil Transportation Services	2,490,948.79		
Operation of Plant	3,065,424.60		
Maintenance of Plant	1,484,738.89		
Community Services	46,414.80		
Fixed Capital Outlay:			
Facilities Acquisition and Construction		232,141.18	177,586.90
Other Capital Outlay	47,939.26	23,155.62	133,961.74
Debt Service:			
Principal	38,580.40	6,415,660.69	
Interest and Fiscal Charges	650.55	180,931.33	
Total Expenditures	39,491,288.63	7,293,842.66	755,940.44
Excess (Deficiency) of Revenues Over Expenditures	781,360.08	1,556,023.61	(755,940.44)
Other Financing Sources (Uses)			
Transfers In	542,427.00		
Special Public Education Capital Outlay Advance		1,244,781.71	
Transfers Out	(392,016.82)	(542,427.00)	
Total Other Financing Sources (Uses)	150,410.18	702,354.71	
Net Change in Fund Balances	931,770.26	2,258,378.32	(755,940.44)
Fund Balances, July 1, 2006	1,610,822.44	519,457.29	1,836,790.39
Fund Balances, June 30, 2007	\$ 2,542,592.70	\$ 2,777,835.61	\$ 1,080,849.95

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

EXHIBIT - E

Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$
	159,858.70	210,595.05
	5,562,321.41	5,760,904.35
		261,841.65
	255,162.24	39,410,904.87
<u>3,028,080.30</u>	<u>785,543.09</u>	<u>13,269,234.80</u>
<u>3,028,080.30</u>	<u>6,762,885.44</u>	<u>58,913,480.72</u>
	2,902,541.61	26,668,421.06
	373,036.69	1,894,647.19
		660,604.06
	98,926.31	641,844.98
	562,178.64	1,128,795.51
		249,035.85
	80,410.72	799,121.35
		2,990,595.90
255,386.85	147,979.68	1,436,892.40
		427,872.42
	2,385,298.55	2,385,298.55
		725,566.76
	1,970.45	2,492,919.24
		3,065,424.60
		1,484,738.89
		46,414.80
677,617.36		1,087,345.44
228,188.75	193,082.96	626,328.33
2,385,706.25	226,867.96	9,066,815.30
<u>11,200.05</u>	<u>78,643.97</u>	<u>271,425.90</u>
<u>3,558,099.26</u>	<u>7,050,937.54</u>	<u>58,150,108.53</u>
<u>(530,018.96)</u>	<u>(288,052.10)</u>	<u>763,372.19</u>
360,676.48	31,340.34	934,443.82
		1,244,781.71
		<u>(934,443.82)</u>
<u>360,676.48</u>	<u>31,340.34</u>	<u>1,244,781.71</u>
(169,342.48)	(256,711.76)	2,008,153.90
<u>169,342.48</u>	<u>337,059.50</u>	<u>4,473,472.10</u>
<u>\$ 0.00</u>	<u>\$ 80,347.74</u>	<u>\$ 6,481,626.00</u>

EXHIBIT - F
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, 2007

Net Change in Fund Balances - Governmental Funds \$ 2,008,153.90

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period.	(1,464,198.95)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds in the current period.	7,822,033.59
The loss on the disposal of capital assets during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.	(15,398.30)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period.	(222,923.91)

Change in Net Assets - Governmental Activities \$ 8,127,666.33

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

EXHIBIT - G
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2007

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>535,721.00</u>
LIABILITIES	
Internal Accounts Payable	\$ <u>535,721.00</u>

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

EXHIBIT – H
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

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

- **Discretely Presented Component Unit.** The component unit columns in the basic financial statements, Exhibits A and B, include the financial data of the Suwannee Foundation for Excellence in Education, Inc., 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's financial statements are filed in the District's administrative office.
- **Blended Component Unit.** The Suwannee County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 9. Due to the substantive economic relationship between the Suwannee County District School Board and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units. Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the transportation function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

EXHIBIT - H (Continued)
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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.
- Capital Projects – Public Education Capital Outlay Fund – to account for the resources generated by the Legislative appropriations of gross receipts taxes for the District. These funds are to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, maintenance, repair, and site improvements.
- Capital Projects – District Bonds Fund – to account for the financial resources generated by the issuance of Certificates of Participation - Qualified Zone Academy Bonds (QZAB) to be used for educational capital outlay needs for qualified zone academies.
- 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 the several schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

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

The government-wide financial statements are prepared using the accrual basis of accounting, as are the fiduciary funds financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property

EXHIBIT - H (Continued)
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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

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

➤ **Deposits and Investments**

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

Investments consist of amounts placed in State Board of Administration Debt Service accounts for investment of debt service moneys. These investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value.

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

➤ **Inventories**

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

➤ **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

EXHIBIT - H (Continued)
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

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

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

➤ **Long-Term Liabilities**

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

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

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

➤ **State Revenue Sources**

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

EXHIBIT - H (Continued)
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received allocations under the Classrooms for Kids and the Class Size Reduction Construction programs. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

Pursuant to Section 1013.64, Florida Statutes, the District received special allocations in the 2005-06 and 2006-07 fiscal years for specific construction needs through the Public Education Capital Outlay and Debt Service Trust Fund - Special Facility Construction Account. As a condition for receiving these funds, other construction funding must be pledged for the project, including the capital outlay millage levied pursuant to Section 1011.71(2), Florida Statutes, for the following three fiscal years. During the three-year period, reductions to the special allocations are made to the extent of collections from the required pledged sources.

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2006 tax levy on September 6, 2006. 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 delinquent on April 1 of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

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

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

➤ **Federal Revenue Sources**

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

EXHIBIT - H (Continued)
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

3. INVESTMENTS

Section 218.415(17), Florida Statutes, authorizes the District to invest in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration, certain intergovernmental investment pools, certain money market funds registered with the Securities and Exchange Commission, interest-bearing time deposits or savings accounts in a qualified public depository, and direct obligations of the U.S. Treasury.

The District reports investments totaling \$43,214.44 at June 30, 2007, in the State Board of Administration Debt Service Accounts to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$2,719,924 of Class Size Reduction Construction allocations due from the State to the District for construction of District facilities.

EXHIBIT - H (Continued)
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-06	Additions	Deletions	Balance 6-30-07
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,193,500.25	\$	\$	\$ 1,193,500.25
Construction in Progress	12,399,257.45	98,815.20	12,399,257.45	98,815.20
Total Capital Assets Not Being Depreciated	13,592,757.70	98,815.20	12,399,257.45	1,292,315.45
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	2,917,160.70	217,018.00		3,134,178.70
Buildings and Fixed Equipment	51,094,868.20	13,170,769.69		64,265,637.89
Furniture, Fixtures, and Equipment	6,336,760.12	482,060.85	561,429.92	6,257,391.05
Motor Vehicles	4,000,977.65	146,049.00	28,612.70	4,118,413.95
Property Under Capital Lease	344,043.00			344,043.00
Audio Visual Materials and Computer Software	401,969.41	19,080.74	11,859.94	409,190.21
Total Capital Assets Being Depreciated	65,095,779.08	14,034,978.28	601,902.56	78,528,854.80
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,809,323.25	228,796.92		2,038,120.17
Buildings and Fixed Equipment	16,640,774.74	2,165,129.63		18,805,904.37
Furniture, Fixtures, and Equipment	4,544,311.97	547,505.93	548,459.49	4,543,358.41
Motor Vehicles	2,773,614.90	228,174.80	28,612.63	2,973,177.07
Property Under Capital Lease	17,202.15	17,202.15		34,404.30
Audio Visual Materials and Computer Software	379,909.53	11,925.55	9,432.14	382,402.94
Total Accumulated Depreciation	26,165,136.54	3,198,734.98	586,504.26	28,777,367.26
Total Capital Assets Being Depreciated, Net	38,930,642.54	10,836,243.30	15,398.30	49,751,487.54
Governmental Activities Capital Assets, Net	\$ 52,523,400.24	\$ 10,935,058.50	\$ 12,414,655.75	\$ 51,043,802.99

The class of property under capital lease is presented in Note 7.

EXHIBIT - H (Continued)
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Depreciation expense was charged to functions as follows:

GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 228,174.80
Unallocated	<u>2,970,560.18</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 3,198,734.98</u></u>

6. SPECIAL PUBLIC EDUCATION CAPITAL OUTLAY ADVANCE PAYABLE

The liability at June 30, 2007, of \$2,564,778.68 represents the amount of the Public Education Capital Outlay Special Facilities allocation expected to be replaced by other District capital outlay sources which are committed under Section 1013.64, Florida Statutes, for funding specific construction needs. The liability is expected to be retired by the close of the 2007-08 fiscal year.

7. OBLIGATIONS UNDER CAPITAL LEASE

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 56,431.92	\$ 47,074.69	\$ 9,357.23
2009	56,431.92	48,992.60	7,439.32
2010	56,431.92	50,988.64	5,443.28
2011	56,431.92	53,066.00	3,365.92
2012	<u>56,431.92</u>	<u>55,228.02</u>	<u>1,203.90</u>
 Total Minimum Lease Payments	 <u><u>\$ 282,159.60</u></u>	 <u><u>\$ 255,349.95</u></u>	 <u><u>\$ 26,809.65</u></u>

The stated interest rate is 4 percent.

8. NOTE PAYABLE

Note payable is comprised of the following:

EXHIBIT - H (Continued)
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Balance at
6-30-07

First Federal Savings Bank of Florida

\$800,000, Borrowed 7-9-2004, Under Provisions of Section 1011.14, Florida Statutes. Note Terms Renegotiated on 10-13-2005 to Establish Line of Credit of \$1,400,000. Interest Rate of 58 Percent of Prime Interest Rate (Currently 4.875 Percent). Proceeds Used to Finance New Elementary School Project. The Board's Intent is to Extend Repayment over Five Years.

\$ 512,000

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

Fiscal Year Ending June 30	Total	Principal	Interest
2008	\$ 148,019.20	\$ 128,000.00	\$ 20,019.20
2009	143,014.40	128,000.00	15,014.40
2010	138,009.60	128,000.00	10,009.60
2011	<u>133,004.80</u>	<u>128,000.00</u>	<u>5,004.80</u>
Total	<u>\$ 562,048.00</u>	<u>\$ 512,000.00</u>	<u>\$ 50,048.00</u>

9. CERTIFICATES OF PARTICIPATION

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

The QZAB Certificates were issued under a special program whereby the certificates, bearing an original issue date of December 15, 2005, will mature in full on December 15, 2021, for the original \$2,109,275 issue amount. There is no interest cost for borrowing moneys under this program. The financing proceeds are being used to acquire equipment and improvements at several designated schools. The District entered into a paying agent agreement and forwarded delivery agreement under which mandatory deposits (rent payments) of \$131,078 for 14 consecutive years begin on December 15, 2008. The 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

EXHIBIT - H (Continued)
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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 (formerly Suwannee Elementary School)
- Suwannee Middle School
- Suwannee High School

10. BONDS PAYABLE

Bonds payable at June 30, 2007, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1998A	\$ 95,000	4.5	2008
Series 1999A	135,000	4.00 - 4.75	2019
Series 2005B, Refunding	<u>1,270,000</u>	5.0	2018
Total Bonds Payable	<u><u>\$ 1,500,000</u></u>		

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

➤ **State School Bonds**

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

EXHIBIT - H (Continued)
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Annual requirements to amortize all bonded debt outstanding as of June 30, 2007, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2008	\$ 251,843.75	\$ 110,000.00	\$ 141,843.75
2009	183,968.75	115,000.00	68,968.75
2010	183,350.00	120,000.00	63,350.00
2011	177,443.75	120,000.00	57,443.75
2012	176,493.75	125,000.00	51,493.75
2013-2017	891,368.75	735,000.00	156,368.75
2018-2019	184,175.00	175,000.00	9,175.00
Total State School Bonds	\$2,048,643.75	\$1,500,000.00	\$ 548,643.75

11. DEFEASED DEBT

In prior years, portions of the State School Bonds, Series 1998A, were refunded by the Florida Department of Education and considered defeased in substance by placing a portion of the proceeds of new State School Bonds in an irrevocable trust to provide for future debt service payments. Accordingly, the trust account assets and the liability for the in-substance defeased State School Bonds are not included in the District's financial statements. On June 30, 2007, State School Bonds, Series 1998A, totaling \$1,325,000 outstanding are considered defeased in substance.

12. CHANGES IN LONG-TERM LIABILITIES

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

EXHIBIT - H (Continued)
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Description	Balance 7-1-06	Additions	Deductions	Balance 6-30-07	Due in One Year
GOVERNMENTAL ACTIVITIES					
Obligations Under Capital Lease	\$ 300,581.82	\$	\$ 45,231.87	\$ 255,349.95	\$ 47,074.69
Note Payable	4,678,580.40		4,166,580.40	512,000.00	128,000.00
Bonds Payable	1,605,000.00		105,000.00	1,500,000.00	110,000.00
Certificates of Participation Payable	2,109,275.00			2,109,275.00	
Special Public Education Capital Outlay Advance Payable	6,070,000.00	1,244,781.71	4,750,003.03	2,564,778.68	2,564,778.68
Compensated Absences Payable	3,061,030.55	437,433.38	214,509.47	3,283,954.46	959,185.87
Total Governmental Activities	\$ 17,824,467.77	\$1,682,215.09	\$9,281,324.77	\$10,225,358.09	\$3,809,039.24

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

13. RESERVE FOR ENCUMBRANCES

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

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2007-08 fiscal year budget as a result of purchase orders outstanding at June 30, 2007.

Encumbrances totaling \$164,234.61 in the Capital Projects - Local Capital Improvement Fund and \$1,554.93 in the Special Revenue – Food Service Fund, included in the nonmajor governmental funds column, are not shown on Exhibit C because there was insufficient fund balance available at June 30, 2007.

14. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

EXHIBIT - H (Continued)
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 44,800.62	\$ 398,374.82
Capital Projects:		
Public Education Capital Outlay	1,156,108.25	1,072,611.44
District Bonds	487,830.47	
Local Capital Improvement	951,815.45	1,071,325.42
Nonmajor Governmental	31,340.34	129,583.45
Total	<u>\$ 2,671,895.13</u>	<u>\$2,671,895.13</u>

The interfund amounts represent temporary loans to cover deficit cash balances and corrections to expenditures between funds.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 542,427.00	\$ 392,016.82
Capital Projects:		
Public Education Capital Outlay		542,427.00
Local Capital Improvement	360,676.48	
Nonmajor Governmental	31,340.34	
Total	<u>\$ 934,443.82</u>	<u>\$ 934,443.82</u>

Transfers were made to move restricted capital outlay revenues to offset eligible expenditures in the General Fund, to fund excess expenditures in the Capital Projects – Local Capital Improvement Fund, and to supplement food service operations.

15. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2006-07 fiscal year:

EXHIBIT - H (Continued)
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 21,090,049.71
Categorical Educational Programs:	
Class Size Reduction	4,223,279.00
Transportation	1,486,200.00
Instructional Materials	568,225.00
Other	653,961.54
Gross Receipts Tax (Public Education Capital Outlay)	5,952,507.29
Class Size Reduction Construction	2,719,924.00
Workforce Development Program	1,103,763.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	216,623.16
Discretionary Lottery Funds	211,073.00
Classrooms for Kids	92,771.00
Mobile Home License Tax	73,346.51
Food Service Supplement	41,690.66
Miscellaneous	977,491.00
	<hr/>
Total	<u><u>\$ 39,410,904.87</u></u>

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

16. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2006 tax roll for the 2006-07 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.034	\$ 7,748,237
Basic Discretionary Local Effort	0.510	784,982
Supplemental Discretionary Local Effort	0.250	384,795
 <u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>2.000</u>	<u>3,078,362</u>
Total	<u><u>7.794</u></u>	<u><u>\$ 11,996,376</u></u>

17. STATE RETIREMENT PROGRAM

Defined Benefit Plan. All regular employees of the District are covered by the Florida Retirement System (FRS). FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV,

EXHIBIT - H (Continued)
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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.

Benefits in the Plan vest at six years of service. All 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, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

A Deferred Retirement Option Program (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.

Funding Policy. The contribution rates for members are established, and may be amended, by the State of Florida. During the 2006-07 fiscal year, contribution rates were as follows:

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

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal

EXHIBIT - H (Continued)
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

years ended June 30, 2005, June 30, 2006, and June 30, 2007, totaled \$1,894,449.15, \$2,051,234.90, and \$2,644,278.10, respectively, which were equal to the required contributions for each fiscal year.

Defined Contribution Plan. Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Elected County Officers Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 55 District participants during the 2006-07 fiscal year. Required employer contributions made to the PEORP for the fiscal year ending June 30, 2007, totaled \$152,712.34.

Pension Reporting. 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, may be obtained from the Florida Department of Management Services, Division of Retirement.

18. OTHER POSTEMPLOYMENT BENEFITS

Pursuant to Section 112.0801, Florida Statutes, the District pays the cost of health care and life insurance benefits for retired former employees. All of the District's employees may become eligible for those benefits if they retire with 30 years of service and reach age 52 or older. The benefit shall continue until the retired former employee reaches 65 years of age. At June 30, 2007, benefits are being provided to 54 retired former employees. The cost of the benefits provided is recognized as an expense each month as premiums are paid. For the 2006-07 fiscal year, premiums totaled \$176,582.52.

19. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
Branford Elementary School Additions:			
Architect	\$ 139,250.00	\$ 73,230.00	\$ 66,020.00
Contractor	2,513,501.00	25,585.20	2,487,915.80
Total	\$ 2,652,751.00	\$ 98,815.20	\$ 2,553,935.80

EXHIBIT - H (Continued)
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

20. 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(10)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The program is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

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

EXHIBIT - I
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended June 30, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 47,000.00	\$ 47,000.00	\$ 50,736.35	\$ 3,736.35
Federal Through State	110,000.00	110,000.00	198,582.94	88,582.94
Federal Through Local			261,841.65	261,841.65
State	29,697,439.00	30,326,660.48	30,390,540.34	63,879.86
Local	9,070,480.00	9,249,368.63	9,370,947.43	121,578.80
Total Revenues	<u>38,924,919.00</u>	<u>39,733,029.11</u>	<u>40,272,648.71</u>	<u>539,619.60</u>
Expenditures				
Current - Education:				
Instruction	23,278,843.49	24,576,427.93	23,765,879.45	810,548.48
Pupil Personnel Services	1,612,744.68	1,517,145.14	1,521,610.50	(4,465.36)
Instructional Media Services	641,405.25	729,192.51	660,604.06	68,588.45
Instruction and Curriculum Development Services	541,943.45	575,266.25	542,918.67	32,347.58
Instructional Staff Training Services	362,466.55	612,019.52	566,616.87	45,402.65
Board of Education	222,849.00	254,097.88	249,035.85	5,062.03
General Administration	765,676.77	754,250.10	718,710.63	35,539.47
School Administration	2,849,556.54	3,027,545.43	2,990,595.90	36,949.53
Facilities Acquisition and Construction			147,180.23	(147,180.23)
Fiscal Services	422,144.40	437,985.68	427,872.42	10,113.26
Central Services	711,088.65	833,656.49	725,566.76	108,089.73
Pupil Transportation Services	2,556,977.00	2,621,902.11	2,490,948.79	130,953.32
Operation of Plant	3,378,616.11	3,407,305.40	3,065,424.60	341,880.80
Maintenance of Plant	1,797,383.04	1,866,352.62	1,484,738.89	381,613.73
Community Services	45,263.00	46,751.62	46,414.80	336.82
Fixed Capital Outlay:				
Other Capital Outlay		47,939.26	47,939.26	
Debt Service:				
Principal		38,580.40	38,580.40	
Interest and Fiscal Charges		650.55	650.55	
Total Expenditures	<u>39,186,957.93</u>	<u>41,347,068.89</u>	<u>39,491,288.63</u>	<u>1,855,780.26</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(262,038.93)</u>	<u>(1,614,039.78)</u>	<u>781,360.08</u>	<u>2,395,399.86</u>
Other Financing Sources (Uses)				
Transfers In	542,427.00	542,427.00	542,427.00	
Transfers Out		(392,016.82)	(392,016.82)	
Total Other Financing Sources (Uses)	<u>542,427.00</u>	<u>150,410.18</u>	<u>150,410.18</u>	
Net Change in Fund Balances	280,388.07	(1,463,629.60)	931,770.26	2,395,399.86
Fund Balances, July 1, 2006	1,610,822.44	1,610,822.44	1,610,822.44	
Fund Balances, June 30, 2007	<u>\$ 1,891,210.51</u>	<u>\$ 147,192.84</u>	<u>\$ 2,542,592.70</u>	<u>\$ 2,395,399.86</u>

EXHIBIT – J
SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2007

1. EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS

For the fiscal year ended June 30, 2007, expenditures exceeded appropriations for the following individual fund:

Fund/Activity	Expenditures		
	Budget	Actual	Variance Unfavorable
General:			
Pupil Personnel Services	\$ 1,517,145.14	\$ 1,521,610.50	\$ (4,465.36)
Facilities Acquisition and Construction		147,180.23	(147,180.23)



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534/SC 278-5534
Fax: 488-6975/SC 278-6975

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

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Suwannee County District School Board as of and for the fiscal year ended June 30, 2007, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading ***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the discretely presented component unit, as described in our report on the Suwannee County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the *FINDINGS AND RECOMMENDATIONS* section of this audit report, Finding No. 1, to be a significant deficiency in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

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

We noted certain additional matters which are discussed in the *FINDINGS AND RECOMMENDATIONS* section of this audit report.

The District's response to the findings identified in our audit is described in the accompanying *MANAGEMENT RESPONSE*. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



David W. Martin, CPA
February 15, 2008



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534/SC 278-5534
Fax: 488-6975/SC 278-6975

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB *CIRCULAR A-133***

Compliance

We have audited the District's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2007. The District's major Federal programs are identified in the ***SUMMARY OF AUDITOR'S RESULTS*** section of the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



David W. Martin, CPA
February 15, 2008

**SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007**

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:			
Florida Department of Agriculture and Consumer Services:			
Food Donation	10.550 (2)	None	\$ 66,602.46
Florida Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	321	275,426.06
National School Lunch Program	10.555	300	1,083,171.75
Summer Food Service Program for Children	10.559	323	16,720.89
Total Child Nutrition Cluster			<u>1,375,318.70</u>
Total United States Department of Agriculture			<u>1,441,921.16</u>
United States Department of Education:			
Direct:			
Student Financial Aid Cluster:			
Federal Work-Study Program	84.033	N/A	2,164.93
Federal Pell Grant Program	84.063	N/A	158,219.96
Total Direct			<u>160,384.89</u>
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	262, 263	1,260,162.39
Special Education - Preschool Grants	84.173	267	58,508.95
Putnam County District School Board:			
Special Education - Grants to States	84.027	None	831.00
Washington County District School Board:			
Special Education - Grants to States	84.027	None	1,162.00
Total Special Education Cluster			<u>1,320,664.34</u>
Florida Department of Education:			
Adult Education - State Grant Program	84.002	191, 192	122,254.87
Title I Grants to Local Educational Agencies	84.010	212, 223, 227, 228	1,609,367.33
Migrant Education - State Grant Program	84.011	217	109,696.59
Vocational Education - Basic Grants to States	84.048	151	226,536.03
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	38,663.92
Education for Homeless Children and Youth	84.196	127	70,034.97
State Grants for Innovative Programs	84.298	113	10,508.61
Education Technology State Grants	84.318	121, 122	14,864.72
Comprehensive School Reform Demonstration	84.332	129	4,358.95
Rural Education	84.358	110	168,110.36
English Language Acquisition Grants	84.365	102	14,657.70
Improving Teacher Quality State Grants	84.367	224	448,384.22
Hurricane Education Recovery	84.938	None	6,746.32
Madison County District School Board:			
Tech-Prep Education	84.243	None	3,039.00
Putnam County District School Board:			
Reading First State Grants	84.357	None	258,802.65
Improving Teacher Quality State Grants	84.367	None	1,000.00
Total Indirect			<u>4,427,690.58</u>
Total United States Department of Education			<u>4,588,075.47</u>
Corporation for National and Community Service:			
Indirect:			
Florida Department of Education:			
Learn and Serve America - School and Community Based Programs	94.004	234	8,819.21
United States Department of Homeland Security:			
Indirect:			
Florida Department of Education:			
Homeland Security Grant Program	97.067	532	10,104.62
United States Department of Defense:			
Direct:			
Navy Junior Reserve Officers Training Corps	None	N/A	50,736.35
Total Expenditures of Federal Awards			<u>\$ 6,099,656.81</u>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2006-07 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 - Food Donation. Represents the amount of donated food used during the 2006-07 fiscal year. Commodities are valued at fair value as determined at the time of donation.

**SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

SUMMARY OF AUDITOR'S RESULTS

As required by United States Office of Management and Budget *Circular A-133*, Section __.505, the following is a summary of the results of the audit of the Suwannee County District School Board for the fiscal year ended June 30, 2007:

- An unqualified opinion was issued on the financial statements.
- A certain matter involving the internal control and its operation was considered to be a significant deficiency, though the significant deficiency was not considered a material weakness.
- No noncompliance was reported which is material to the financial statements.
- No significant deficiencies in internal control over major Federal programs were reported.
- An unqualified opinion was issued on major program compliance.
- No audit findings on Federal programs were reported.
- Major Federal programs included: Title I Grants to Local Educational Agencies (CFDA No. 84.010) and Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education – Preschool Grants (CFDA No. 84.173)].
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$300,000.
- The low risk entity threshold was applied.

FINDINGS AND RECOMMENDATIONS

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

SUWANNEE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007

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
2007-136 (1)	Improving Teacher Quality State Grants (CFDA No. 84.367) - Allowable Costs/Cost Principles	No personnel activity reports were prepared for two employees working on multiple activities or cost objectives.	Corrected.	

MANAGEMENT RESPONSE SECTION



SUWANNEE COUNTY SCHOOL BOARD

Serving The Children Of Our Community

February 15, 2008

WALTER BOATRIGHT, JR.
Superintendent of
Schools

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

BOARD MEMBERS

JERRY TAYLOR
District 1

Dear Mr. Martin:

MURIEL OWENS
District 2

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, 2007.

JULIE B. ULMER
District 3

Finding No. 1: Financial Reporting

JAMES COOPER
District 4

The District will enhance procedures to ensure the accuracy and completeness of the financial statements. The District acknowledges the need to be compliant with auditing standards and will be diligent in its efforts to remedy deficiencies which contributed to errors in financial reporting.

J. M. HOLTZCLAW
District 5

Finding No. 2: Budget Administration

ANDREW J. DECKER, III
Board Attorney

The District will enhance its procedures to ensure that the budget is properly monitored and timely amended to meet changing financial circumstances, as required by State law and rules. The District acknowledges its requirement to properly administer the budget. The instance prompting this finding was inadvertent and was the result of an adjusting entry posted during preparation of the year-end financial statements.

MAILING ADDRESS

702 2nd Street, NW
Live Oak, Florida 32064

Finding No. 3: Competitive Procurement

Phone: (386) 364-2601

The District will seek competitive bids or proposals in the future when entering into and executing purchasing commitments which exceed the bid threshold. The District acknowledges that this procedure provides evidence related to the fairness of the bid purchasing process.

Fax: (386) 364-2635

www.suwannee.k12.fl.us

Mr. David W. Martin, CPA
February 5, 2008
Page Two

Finding No. 4: Cellular Phones

The District is in the process of developing board policy specifically relating to the use of cellular telephones. The District acknowledges the Internal Revenue Service substantiation requirements for business and employee use of cellular telephones and will implement guidelines and will provide guidance for employees who are assigned cellular telephones.

Finding No. 5: Fingerprinting and Background Checks

The District will enhance its procedures to ensure that required fingerprinting and background screenings are performed for all staff and contractual personnel on a timely basis.

Finding No. 6: Employee/Independent Contractor Status

The District will review the IRS guidelines for independent contractor vs. employee status and will reevaluate its current contractual relationship with the individual in question, as well as whether to continue a future contractual relationship.

Finding No. 7: Information Technology – Security Controls

The District has reviewed the user list provided through Northwest Regional Data Center (NWRDC) and is in the process of determining which user accounts are necessary and essential; which user accounts should be deleted or disabled; and which user accounts should be modified. The District will further consult with NWRDC to determine additional security protocol which will strengthen its access controls over information technology resources.

The Suwannee County District School Board accepts your comments and recommendations with regard to its fiscal year 2006-2007 audit report in a positive and constructive manner. All recommendations will be reviewed and considered for implementation during the current fiscal year.

Sincerely,


Walter Boatright, Jr.
Superintendent of Schools