

**LEVY COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2014



BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Cameron A. Asbell, Chair to 11-18-13	1
Christopher A. Cowart	2
Robert E. Philpot, Vice Chair to 11-18-13, Chair from 11-19-13	3
Paige Brookins	4
Rick Turner, Vice Chair from 11-19-13	5

Robert O. Hastings, Superintendent

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

The audit team leader was John Davisson, CPA, and the audit was supervised by Philip B. Ciano, CPA. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: Procedural enhancements were needed to ensure documented supervisory review and approval of noninstructional contracted personnel work time.

Finding No. 2: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests by personnel responsible for making procurement decisions.

Finding No. 3: The District needed to enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan.

Finding No. 4: The District could improve controls over virtual instruction program (VIP) operations and related activities by developing and maintaining comprehensive, written VIP procedures.

Finding No. 5: Some inappropriate information technology access privileges existed.

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 could have a direct and material effect on each of its major Federal programs.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2014-132.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2014. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of

material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 18 percent of the assets and 35 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based solely 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Levy County District School Board as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 2, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Levy County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2014. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

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

- The District's total net position decreased by \$1,774,199.61, which represents a 3.3 percent decrease from the 2012-13 fiscal year.
- During the current fiscal year, General Fund expenditures exceeded revenues by \$1,634,233.68. This may be compared to last fiscal year's results in which General Fund expenditures exceeded revenues by \$1,565,543.71. Overall, after considering the effects of interfund transfers and insurance loss recoveries, the General Fund fund balance increased over the last fiscal year by \$51,612.59.
- On January 1, 2014, the District established an internal service fund to account for the District's self-insurance program. During the current fiscal year, Internal Service Fund operating and other revenues totaled \$2,519,967.15, operating expenses totaled \$1,854,939.33, and at June 30, 2014, net position totaled \$665,027.82.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, 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 – These include the Levy County Public Facilities Finance Authority, Inc. (Authority), which was formed to facilitate financing for the acquisition of facilities and equipment. Due to the substantive economic relationship between the School Board and the Authority, the financial activities of the Authority are blended in the accompanying basic financial statements.

In addition, the District presents two separate legal entities in this report as discretely presented component units: Whispering Winds Charter School Project, Inc., and Nature Coast Middle School, Inc. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the District.

Fund Financial Statements

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

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

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

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

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

Proprietary Fund: Proprietary funds may be established to account for activities in which a fee is charged for services. Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for the self-insurance program. Since these services predominantly benefit governmental functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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 and to account for the activity of the employee medical and dependent care reimbursement program and the health reimbursement arrangement.

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Net Position, End of Year	
	Governmental Activities	
	6-30-14	6-30-13
Current and Other Assets	\$ 12,308,872.60	\$ 11,639,541.21
Capital Assets	54,831,829.02	56,425,298.08
Total Assets	67,140,701.62	68,064,839.29
Long-Term Liabilities	12,986,120.94	13,186,412.34
Other Liabilities	2,291,572.22	1,241,218.88
Total Liabilities	15,277,693.16	14,427,631.22
Net Position:		
Net Investment in Capital Assets	46,691,829.02	47,645,298.08
Restricted	8,019,686.57	9,120,304.96
Unrestricted Deficit	(2,848,507.13)	(3,128,394.97)
Total Net Position	\$ 51,863,008.46	\$ 53,637,208.07

The total net position decreased \$1,774,199.61 from the previous fiscal year. As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. The District’s assets exceeded liabilities by \$51,863,008.46 at the close of the fiscal year. By far, the largest portion of the District’s net position (90 percent) is investment in capital assets (e.g. land; buildings; furniture, fixtures, and equipment), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to the students of Levy County; consequently, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District’s net position represents resources that are subject to external restrictions such as those placed on State required carryover programs, debt service, capital projects, food service and for other purposes. Compensated absences payable of \$3,609,580.94 and other postemployment benefits payable of \$1,236,540 further reduce the remaining balance of the unrestricted net position and are recognized as amounts that may be needed to meet future obligations.

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

	Operating Results for the Fiscal Year Ended	
	Governmental Activities	
	6-30-14	6-30-13
Program Revenues:		
Charges for Services	\$ 261,808.49	\$ 459,880.21
Operating Grants and Contributions	2,296,297.59	2,197,217.37
Capital Grants and Contributions	234,080.73	238,747.59
General Revenues:		
Property Taxes, Levied for Operational Purposes	9,688,855.32	9,944,297.05
Property Taxes, Levied for Capital Projects	2,492,502.79	2,574,597.28
Grants and Contributions Not Restricted to Specific Programs	34,780,063.44	33,000,991.22
Unrestricted Investment Earnings	18,796.59	27,469.77
Miscellaneous	1,054,739.68	831,138.83
Total Revenues	50,827,144.63	49,274,339.32
Functions/Program Expenses:		
Instruction	26,178,777.93	25,969,745.11
Student Personnel Services	1,999,146.33	1,962,315.04
Instructional Media Services	407,842.73	511,833.12
Instruction and Curriculum Development Services	1,238,555.26	1,229,095.12
Instructional Staff Training Services	1,172,592.93	1,059,393.21
Instruction Related Technology	243,899.20	165,713.63
School Board	323,205.14	247,316.99
General Administration	1,234,131.44	1,203,805.93
School Administration	3,077,359.11	2,945,750.57
Facilities Acquisition and Construction	338,896.89	680,030.15
Fiscal Services	454,416.43	412,670.59
Food Services	2,871,383.94	2,597,453.71
Central Services	408,784.63	379,395.12
Student Transportation Services	4,010,587.53	3,902,091.50
Operation of Plant	3,868,652.27	3,352,771.81
Maintenance of Plant	1,084,208.07	957,588.42
Administrative Technology Services	664,368.93	594,017.95
Unallocated Interest on Long-Term Debt	367,728.51	391,410.36
Unallocated Depreciation Expense	2,656,806.97	2,633,047.05
Total Functions/Program Expenses	52,601,344.24	51,195,445.38
Change in Net Position	(1,774,199.61)	(1,921,106.06)
Net Position - Beginning	53,637,208.07	55,558,314.13
Net Position - Ending	\$ 51,863,008.46	\$ 53,637,208.07

Governmental activities decreased the District's net position by \$1,774,199.61. Significant changes in revenues and expenses that contributed to the change in net position are as follows.

- Grants and Contributions Not Restricted to Specific Programs increased by \$1,779,072.22, primarily the result of increased Florida Education Finance Program (FEFP) funding.
- Property Taxes, Levied for Operational Purposes and for Capital Projects, decreased a total of \$337,536.22, primarily from decreased property values.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The District receives funding for current education from local, State, and Federal sources. Revenue from local sources is primarily generated by ad valorem property taxes. Revenues from State sources for current operations are primarily received through the FEFP funding formula. Federal awards are received for the enhancement of various educational programs, including Title I, National School Lunch, and others. Funding for current education operations received from local, State, and Federal sources totaled \$50,721,513.72, comprised of local revenues of \$13,413,595.91 (26.5 percent); State revenues of \$30,042,353.88 (59.2 percent); and Federal revenues of \$7,265,563.93 (14.3 percent).

Major Governmental Funds

General Fund revenues and other financing sources were greater than expenditures and other financing uses by \$51,612.59, increasing the General Fund fund balance to \$1,795,492.54 at June 30, 2014. State revenues increased \$2,738,343.89 from the 2012-13 fiscal year primarily as the result of increasing FEFP revenues. Local property taxes decreased \$255,441.73, primarily from decreased property values. The increase in General Fund revenues was offset by increased expenditures of \$2,934,406.02, primarily from increases in salary and benefits costs. The total fund balance, \$1,795,492.54, represents 4.5 percent of total General Fund revenues available to the District. Approximately 50.6 percent of this amount is unassigned fund balance (\$909,042.78), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form (\$6,487.66), 2) restricted for particular purposes (\$462,906.55), or 3) assigned for particular purposes (\$417,055.55).

The Special Revenue – Food Service Fund reported revenues, other financing sources, and expenditures of \$2,454,780.96, \$104,690.28, and \$2,918,577.73, respectively, and ended the fiscal year with a fund balance of \$45,678.30. Expenditures increased by \$321,124.02, or 12.4 percent, primarily due to an increase in salary and benefits costs, as well as an increase in food costs. The District adopted the Community Eligibility Provision which provided free breakfast and lunch to all students and attributed to the rise in food costs as well as a decrease in food service local revenues.

The Special Revenue – Other Federal Programs Fund reported revenues and expenditures of \$4,304,752.48 each, and ended the fiscal year with no fund balance. The expenditures were for the continuation of Federal-related educational programs, primarily for the Title I and Special Education programs. Because revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Special Revenue – Federal Economic Stimulus Fund reported revenues and expenditures of \$499,494.83 each, and ended the fiscal year with no fund balance. The expenditures were mainly for authorized purposes of the Race-to-the-Top program. Because revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Debt Service – Other Fund reported other financing sources and expenditures of \$661,507.52 each, and ended the fiscal year with no fund balance. Expenditures were made to pay the scheduled principal and interest costs associated with the District’s certificates of participation.

The Capital Projects – Local Capital Improvement Fund reported revenues, and expenditures and other financing uses of \$2,504,027.93 and \$3,095,419.01, respectively, and ended the fiscal year with a fund balance of \$7,071,791.55. The expenditures and other financing uses were primarily for the purchase of school-related data processing equipment, and the transfers to other funds for maintenance, debt service, and property and casualty insurance premiums.

Proprietary Fund

Unrestricted net position of the Internal Service Fund totaled \$665,027.82 at June 30, 2014, in its first six months of operation. Operating expenses totaled \$1,854,939.33, primarily comprised of insurance claims and purchased services for the District’s self-insurance program.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District’s budget is prepared according to Florida law and is on the modified accrual basis of accounting. The most significant budgeted fund is the General Fund.

During the course of the 2013-14 fiscal year, the District amended its General Fund budget as needed. The District uses school-based budgeting for nonpersonnel, nonenergy, and nonfixed cost items. Schools are allocated budgets based on student enrollment.

For the General Fund, differences between the final budgeted revenues and final budgeted expenditures as compared to the original budget were insignificant. Similarly, the final revenues actually collected and the final expenditures actually incurred were not significantly different from the original and final budgets. None of these differences are expected to have a significant effect on future services or liquidity.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of the 2013-14 fiscal year, the District had \$54,831,829.02 invested in capital assets, net of depreciation. The following table compares balances at June 30, 2014, with those of the prior fiscal year:

	Capital Assets (Net of Depreciation)	
	<u>6-30-14</u>	<u>6-30-13</u>
Land	\$ 2,421,239.77	\$ 1,632,926.07
Improvements Other Than Buildings	2,157,906.50	2,333,900.71
Buildings and Fixed Equipment	48,546,948.18	50,619,219.02
Furniture, Fixtures, and Equipment	472,433.25	325,426.25
Motor Vehicles	1,098,355.34	1,243,319.76
Computer Software	134,945.98	270,506.27
Total Capital Assets	<u>\$ 54,831,829.02</u>	<u>\$ 56,425,298.08</u>

During the 2013-14 fiscal year, the District purchased land for a middle/high school site.

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

Long-Term Debt

As of June 30, 2014, the District had total long-term debt outstanding of \$8,140,000, comprised of \$2,395,000 of bonds payable and \$5,745,000 of certificates of participation. During the current fiscal year, retirement of debt amounted to \$640,000.

Additional information on the District’s long-term debt can be found in note II.G to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The primary source of revenue from the State for the District is based on the number of full-time equivalent students (FTE) counted in October and February. Outlined below is a five-year history of the District’s unweighted FTE information:

	Fiscal Year				
	2009-10	2010-11	2011-12	2012-13	2013-14
FTE	5,819	5,626	5,624	5,585	5,407

The District operated 12 schools during the 2013-14 school year, including 4 elementary schools, 1 middle school, 3 high schools, 1 K-8 school, 1 K-12 school, and 2 special facilities. In addition, it sponsored 2 charter schools, Whispering Winds Charter School Project, Inc., and Nature Coast Middle School, Inc.

The District is facing uncertain economic times and must adapt to the new realities. The impact of the continuing decline in property values remains unknown at this time. The District is rural and has unique issues concerning the operations of its 12 school sites. In light of uncertain economic times, District staff continually monitor the District’s financial position. The Board must continue to be vigilant in monitoring its resources to meet the demands of the State’s public education system

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the District’s finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Director of Finance, Levy County District School Board, at P.O. Box 129, Bronson, Florida 32621. The District’s physical address is 480 Marshburn Drive, Bronson, Florida.

BASIC FINANCIAL STATEMENTS

**LEVY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
June 30, 2014**

	Primary Government <u>Governmental Activities</u>	Component Units <u>Units</u>
ASSETS		
Cash and Cash Equivalents	\$ 11,088,638.87	\$ 126,089.00
Cash with Fiscal Agent	538,253.76	
Investments	26,006.76	
Accounts Receivable		8,687.00
Deposits Receivable		880.00
Due from Other Agencies	507,074.62	
Prepaid Items		10,510.00
Inventories	148,898.59	
Capital Assets:		
Nondepreciable Capital Assets	2,421,239.77	134,505.00
Depreciable Capital Assets, Net	<u>52,410,589.25</u>	<u>1,139,141.00</u>
TOTAL ASSETS	<u>67,140,701.62</u>	<u>1,419,812.00</u>
LIABILITIES		
Salaries and Benefits Payable	528,149.88	14,083.00
Accounts Payable	700,355.87	17,154.00
Due to Other Agencies	8,566.45	
Advanced Revenue	67,375.84	
Matured Certificates of Participation Payable	415,000.00	
Matured Interest Payable	123,253.76	
Estimated Insurance Claims Payable	448,870.42	
Long-Term Liabilities:		
Portion Due Within One Year	1,039,063.55	40,238.00
Portion Due After One Year	<u>11,947,057.39</u>	<u>823,904.00</u>
TOTAL LIABILITIES	<u>15,277,693.16</u>	<u>895,379.00</u>
NET POSITION		
Net Investment in Capital Assets	46,691,829.02	409,504.00
Restricted for:		
State Required Carryover Programs	133,763.87	
Debt Service	28,569.69	
Capital Projects	7,482,532.03	
Food Service	45,678.30	
Fuel Tax Refund	329,142.68	
Unrestricted (Deficit)	<u>(2,848,507.13)</u>	<u>114,929.00</u>
TOTAL NET POSITION	<u>\$ 51,863,008.46</u>	<u>\$ 524,433.00</u>

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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 26,178,777.93	\$ 85,285.55	\$	\$
Student Personnel Services	1,999,146.33			
Instructional Media Services	407,842.73			
Instruction and Curriculum Development Services	1,238,555.26			
Instructional Staff Training Services	1,172,592.93			
Instruction Related Technology	243,899.20			
School Board	323,205.14			
General Administration	1,234,131.44			
School Administration	3,077,359.11			
Facilities Acquisition and Construction	338,896.89			36,854.65
Fiscal Services	454,416.43			
Food Services	2,871,383.94	153,448.86	2,296,297.59	
Central Services	408,784.63			
Student Transportation Services	4,010,587.53	23,074.08		
Operation of Plant	3,868,652.27			
Maintenance of Plant	1,084,208.07			2,523.95
Administrative Technology Services	664,368.93			
Unallocated Interest on Long-Term Debt	367,728.51			194,702.13
Unallocated Depreciation Expense*	2,656,806.97			
Total Primary Government	\$ 52,601,344.24	\$ 261,808.49	\$ 2,296,297.59	\$ 234,080.73
Component Units				
Charter Schools	\$ 1,320,341.00	\$ 9,855.00	\$ 39,895.00	\$ 70,529.00

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 Position

Net Position - Beginning

Net Position - Ending

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

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

Net (Expense) Revenue and Changes in Net Position	
Primary Government	Component
Governmental	Units
Activities	
\$ (26,093,492.38)	\$
(1,999,146.33)	
(407,842.73)	
(1,238,555.26)	
(1,172,592.93)	
(243,899.20)	
(323,205.14)	
(1,234,131.44)	
(3,077,359.11)	
(302,042.24)	
(454,416.43)	
(421,637.49)	
(408,784.63)	
(3,987,513.45)	
(3,868,652.27)	
(1,081,684.12)	
(664,368.93)	
(173,026.38)	
(2,656,806.97)	
(49,809,157.43)	
	(1,200,062.00)
9,688,855.32	
2,492,502.79	
34,780,063.44	1,113,110.00
18,796.59	47.00
1,054,739.68	8,167.00
48,034,957.82	1,121,324.00
(1,774,199.61)	(78,738.00)
53,637,208.07	603,171.00
\$ 51,863,008.46	\$ 524,433.00

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

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Federal Programs Fund	Special Revenue - Federal Economic Stimulus Fund
ASSETS				
Cash and Cash Equivalents	\$ 2,040,362.28	\$ 75,722.84	\$ 145,768.67	\$ 24,334.77
Cash with Fiscal Agent				
Investments	6,487.66			
Due from Other Funds	180,703.88			
Due from Other Agencies	435,880.26	32,594.78	25,196.51	
Inventories		148,898.59		
TOTAL ASSETS	\$ 2,663,434.08	\$ 257,216.21	\$ 170,965.18	\$ 24,334.77
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and Benefits Payable	\$ 455,552.72	\$ 7,800.76	\$ 59,022.23	\$ 5,404.30
Accounts Payable	408,127.21	36,850.56	76,556.44	5,370.37
Due to Other Funds	3,343.40	166,886.59	3,738.89	
Due to Other Agencies	918.21		7,648.24	
Advanced Revenue			23,999.38	13,560.10
Matured Certificates of Participation Payable				
Matured Interest Payable				
Total Liabilities	867,941.54	211,537.91	170,965.18	24,334.77
Fund Balances:				
Nonspendable:				
Fund B Investments	6,487.66			
Inventories		148,898.59		
Total Nonspendable Fund Balance	6,487.66	148,898.59		
Restricted for:				
State Required Carryover Programs	133,763.87			
Debt Service				
Capital Projects				
Fuel Tax Refund	329,142.68			
Total Restricted Fund Balance	462,906.55			
Assigned for:				
Purchase Commitments	20,814.81			
Local Programs	396,240.74			
Total Assigned Fund Balance	417,055.55			
Unassigned Fund Balance	909,042.78	(103,220.29)		
Total Fund Balances	1,795,492.54	45,678.30		
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,663,434.08	\$ 257,216.21	\$ 170,965.18	\$ 24,334.77

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

Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$ 538,253.76	\$ 7,107,059.10	\$ 408,457.12	\$ 9,801,704.78
	86.64	19,432.46	538,253.76
		3,805.16	26,006.76
		13,403.07	184,509.04
			507,074.62
			148,898.59
<u>\$ 538,253.76</u>	<u>\$ 7,107,145.74</u>	<u>\$ 445,097.81</u>	<u>\$ 11,206,447.55</u>
\$	\$	\$	\$
	28,619.19	4,768.40	527,780.01
	6,735.00	1,019.24	560,292.17
			181,723.12
			8,566.45
			37,559.48
415,000.00			415,000.00
123,253.76			123,253.76
<u>538,253.76</u>	<u>35,354.19</u>	<u>5,787.64</u>	<u>1,854,174.99</u>
	86.64	695.71	7,270.01
	86.64	695.71	148,898.59
			156,168.60
			133,763.87
		28,301.14	28,301.14
	7,071,704.91	410,313.32	7,482,018.23
	7,071,704.91	438,614.46	329,142.68
			7,973,225.92
			20,814.81
			396,240.74
			417,055.55
			805,822.49
	7,071,791.55	439,310.17	9,352,272.56
<u>\$ 538,253.76</u>	<u>\$ 7,107,145.74</u>	<u>\$ 445,097.81</u>	<u>\$ 11,206,447.55</u>

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

Total Fund Balances - Governmental Funds \$ 9,352,272.56

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 54,831,829.02

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 665,027.82

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

Certificates of Participation Payable	\$ 5,745,000.00	
Bonds Payable	2,395,000.00	
Compensated Absences Payable	3,609,580.94	
Other Postemployment Benefits Payable	1,236,540.00	(12,986,120.94)

Net Position - Governmental Activities **\$ 51,863,008.46**

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

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

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Other Federal Programs Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues				
Intergovernmental:				
Federal Direct	\$ 62,841.93	\$	\$ 44,300.24	\$
Federal Through State and Local State	143,034.10	2,255,440.59	4,260,452.24	499,494.83
	29,208,287.76	40,857.00		
Local:				
Property Taxes	9,688,855.32			
Impact Fees				
Charges for Services - Food Service		153,448.86		
Miscellaneous	1,009,556.13	5,034.51		
Total Local Revenues	<u>10,698,411.45</u>	<u>158,483.37</u>		
Total Revenues	<u>40,112,575.24</u>	<u>2,454,780.96</u>	<u>4,304,752.48</u>	<u>499,494.83</u>
Expenditures				
Current - Education:				
Instruction	23,543,559.15		2,578,566.00	167,251.94
Student Personnel Services	1,879,876.35		128,031.79	
Instructional Media Services	398,036.93		11,848.72	
Instruction and Curriculum Development Services	590,086.73		588,991.06	67,872.75
Instructional Staff Training Services	298,421.11		670,396.71	209,639.67
Instruction Related Technology	200,126.48		42,487.53	
School Board	324,783.35			
General Administration	1,078,331.28		147,248.28	
School Administration	3,083,214.59		112.77	
Facilities Acquisition and Construction	7,469.66			
Fiscal Services	454,883.07		55.50	
Food Services		2,918,577.73		
Central Services	382,999.69		25,292.00	1,001.64
Student Transportation Services	3,680,018.15		16,170.69	
Operation of Plant	3,879,017.91			
Maintenance of Plant	1,083,891.90			
Administrative Technology Services	660,258.87			1,996.00
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay	201,833.70		95,551.43	51,732.83
Debt Service:				
Principal				
Interest and Fiscal Charges				
Total Expenditures	<u>41,746,808.92</u>	<u>2,918,577.73</u>	<u>4,304,752.48</u>	<u>499,494.83</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,634,233.68)</u>	<u>(463,796.77)</u>		
Other Financing Sources (Uses)				
Transfers In	1,687,429.59	100,000.00		
Insurance Loss Recoveries	98,416.68	4,690.28		
Transfers Out	(100,000.00)			
Total Other Financing Sources (Uses)	<u>1,685,846.27</u>	<u>104,690.28</u>		
Net Change in Fund Balances	51,612.59	(359,106.49)		
Fund Balances, Beginning	1,743,879.95	404,784.79		
Fund Balances, Ending	<u>\$ 1,795,492.54</u>	<u>\$ 45,678.30</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$ 107,142.17
		793,209.12	7,158,421.76
	2,492,502.79		30,042,353.88
		51,843.48	12,181,358.11
	11,525.14	829.68	51,843.48
	2,504,027.93	52,673.16	153,448.86
			1,026,945.46
	2,504,027.93	845,882.28	13,413,595.91
			26,289,377.09
			2,007,908.14
			409,885.65
			1,246,950.54
			1,178,457.49
			242,614.01
			324,783.35
			1,225,579.56
	304,565.60	26,492.63	3,083,327.36
			338,527.89
			454,938.57
			2,918,577.73
			409,293.33
			3,696,188.84
			3,879,017.91
			1,083,891.90
			662,254.87
	788,313.70	34,438.98	822,752.68
	14,128.09	225,368.98	588,615.03
415,000.00		225,000.00	640,000.00
246,507.52	2,066.00	119,154.99	367,728.51
661,507.52	1,109,073.39	630,455.58	51,870,670.45
(661,507.52)	1,394,954.54	215,426.70	(1,149,156.73)
661,507.52			2,448,937.11
	(1,986,345.62)	(362,591.49)	103,106.96
			(2,448,937.11)
661,507.52	(1,986,345.62)	(362,591.49)	103,106.96
	(591,391.08)	(147,164.79)	(1,046,049.77)
	7,663,182.63	586,474.96	10,398,322.33
\$ 0.00	\$ 7,071,791.55	\$ 439,310.17	\$ 9,352,272.56

**LEVY COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014**

Net Change in Fund Balances - Governmental Funds		\$	(1,046,049.77)
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year.			(1,595,993.01)
Donated capital assets are reported as revenue in the statement of activities but do not provide current financial resources and therefore are not reported in the governmental funds.			2,523.95
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of debt repayments in the current fiscal year:			
Certificates of Participation Payments	\$	415,000.00	
Bonds Payments		<u>225,000.00</u>	640,000.00
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year.			(194,665.60)
Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year.			(245,043.00)
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of the internal service fund is reported with governmental activities.			<u>665,027.82</u>
Change in Net Position - Governmental Activities		\$	<u>(1,774,199.61)</u>

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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION -
PROPRIETARY FUND
June 30, 2014**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 1,286,934.09
LIABILITIES	
Current Liabilities:	
Salaries and Benefits Payable	369.87
Accounts Payable	140,063.70
Due to Other Funds	2,785.92
Advanced Revenue	29,816.36
Estimated Insurance Claims Payable	448,870.42
Total Liabilities	621,906.27
NET POSITION	
Unrestricted	\$ 665,027.82

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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2014**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	\$ 2,499,783.51
Cash Payments to Employees for Services	(4,070.70)
Cash Payments to Suppliers for Goods and Services	(614,585.29)
Cash Payments for Insurance Claims	(644,193.43)
	1,236,934.09
Net Cash Provided by Operating Activities	1,236,934.09
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Gifts, Grants, and Bequests	50,000.00
	1,286,934.09
Net Increase in Cash and Cash Equivalents	1,286,934.09
Cash and Cash Equivalents, Beginning	
Cash and Cash Equivalents, Ending	\$ 1,286,934.09
 Reconciliation of Operating Income to	
Net Cash Provided by Operating Activities:	
Operating Income	\$ 615,027.82
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Salaries and Benefits Payable	369.87
Accounts Payable	140,063.70
Due to Other Funds	2,785.92
Advanced Revenue	29,816.36
Estimated Insurance Claims Payable	448,870.42
	621,906.27
Total Adjustments	621,906.27
Net Cash Provided by Operating Activities	\$ 1,236,934.09

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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2014**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 559,670.94
LIABILITIES	
Accounts Payable	\$ 791.00
Deposits Payable	143,515.94
Internal Accounts Payable	415,364.00
TOTAL LIABILITIES	\$ 559,670.94

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Levy County School District's (District) 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 and maintenance departments are allocated to the student transportation services and maintenance of plant functions, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The Levy County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Levy County.

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

Blended Component Unit. A blended component unit is, in substance, part of the primary District's operations, even though it is a legally separate entity. Thus, the blended component unit is appropriately presented as part of the District. The Levy County Public Facilities Finance Authority, Inc. (Authority), was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in note II.G.1. Due to the substantive economic relationship between the District and the Authority, the

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

financial activities of the Authority are included in the accompanying basic financial statements. Separate financial statements for the Authority are not published.

Discretely Presented Component Units. The component unit columns in the government-wide financial statements include the financial data of the two charter schools: Whispering Winds Charter School Project, Inc., and Nature Coast Middle School, Inc. A separate column is used to emphasize that they are legally separate from the District.

The charter schools are not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under charters approved by their sponsor, the Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of their charters, which are tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to provide specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2014, and are on file in the District's administrative offices.

C. Basis of Presentation: Government-wide Financial Statements

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

The effects of interfund activity have been eliminated from the government-wide financial statements except for interfund services provided and used.

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- **General Fund** – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

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

- Special Revenue – Food Service Fund – to account for the District’s food service program resources.
- Special Revenue – Other Federal Programs Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Debt Service – Other Fund – to account for the financial resources used for the payment of debt service requirements of the District’s certificates of participation that have been issued for capital construction.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following proprietary and fiduciary fund types:

- Internal Service Fund – to account for the District’s employee health self-insurance program and Wellness Center.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities; to account for the activity of the medical and dependent reimbursement program, which is administered by a third-party administrator and available to employees through the District’s cafeteria plan; and to account for the health reimbursement arrangement account, which is administered by a third-party administrator and available to employees.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service fund) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, transfers between funds are eliminated from governmental activities in the preparation of the government-wide financial statements.

E. Basis of Accounting

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

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

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

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

The charter schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be demand deposits and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Trust Fund Investment Pool.

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

2. Investments

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys and amounts placed with the SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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The District’s investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District’s investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.84438408 at June 30, 2014. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

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

3. Inventories

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

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000 for vehicles and equipment and \$10,000 for buildings and improvements, with an estimated useful life in excess of one year. 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.

Capital assets are depreciated using the composite method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other Than Buildings	20 years
Buildings and Fixed Equipment	40 years
Furniture, Fixtures, and Equipment	5 years
Motor Vehicles	8 years
Computer Software	5 years

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

5. Long-Term Liabilities

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

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

6. Net Position Flow Assumption

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

7. Fund Balance Flow Assumptions

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

8. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District did not have any committed fund balances at June 30, 2014.

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Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has established Board Policy 7.01 authorizing the finance director to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

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

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

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3. District Property Taxes

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

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

The Board adopted the 2013 tax levy on September 3, 2013. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

4. Educational Impact Fees

Levy County (County) imposes an educational impact fee based on an ordinance adopted by the County Commission in January 2008. The educational impact fee is collected by the County and each municipality within the County for most new residential construction based on an interlocal agreement. The fees shall be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development and shall not be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, land acquisition, facility design and construction costs, acquisition of furniture and equipment, and payment of principal, interest, and related costs of indebtedness necessitated by new residential development.

5. Federal Revenue Sources

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

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6. Compensated Absences

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

7. Proprietary Fund Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s internal service fund are charges for employee health insurance premiums. Operating expenses include insurance claims, excess coverage premiums, and Wellness Center operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

B. Investments

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

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
State Board of Administration:		
Florida PRIME (1)	40 Day Average	\$ 5,462,746.81
Fund B	2.86 Year Average	7,270.01
Debt Service Accounts	6 Months	18,736.75
Total Investments, Reporting Entity		<u>\$ 5,488,753.57</u>

Note: (1) This investment is reported as a cash equivalent for financial statement reporting purposes.

➤ Interest Rate Risk

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

Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 2014. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case

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of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2014, is estimated at 2.86 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

➤ Credit Risk

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

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

The District's investment in Florida PRIME is rated AAAM by Standard & Poor's. Fund B is unrated.

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C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,632,926.07	\$ 788,313.70	\$	\$ 2,421,239.77
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,838,059.34	16,260.50		4,854,319.84
Buildings and Fixed Equipment	83,281,779.16	18,178.48		83,299,957.64
Furniture, Fixtures, and Equipment	5,592,546.38	369,594.98	281,288.18	5,680,853.18
Motor Vehicles	6,854,819.30	218,144.00	41,559.00	7,031,404.30
Computer Software	1,495,138.80	3,400.00	20,618.16	1,477,920.64
Total Capital Assets Being Depreciated	102,062,342.98	625,577.96	343,465.34	102,344,455.60
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,504,158.63	192,254.71		2,696,413.34
Buildings and Fixed Equipment	32,662,560.14	2,090,449.32		34,753,009.46
Furniture, Fixtures, and Equipment	5,267,120.13	222,587.98	281,288.18	5,208,419.93
Motor Vehicles	5,611,499.54	363,108.42	41,559.00	5,933,048.96
Computer Software	1,224,632.53	138,960.29	20,618.16	1,342,974.66
Total Accumulated Depreciation	47,269,970.97	3,007,360.72	343,465.34	49,933,866.35
Total Capital Assets Being Depreciated, Net	54,792,372.01	(2,381,782.76)		52,410,589.25
Governmental Activities Capital Assets, Net	\$ 56,425,298.08	\$ (1,593,469.06)	\$ 0.00	\$ 54,831,829.02

Note: Capital asset additions include \$2,523.95 in donated furniture, fixtures and equipment.

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	\$ 346,685.36
Maintenance of Plant	3,868.39
Unallocated	2,656,806.97
Total Depreciation Expense - Governmental Activities	\$ 3,007,360.72

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D. Florida Retirement System

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

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

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

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

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

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	6.95
FRS, Elected County Officers	3.00	33.03
FRS, Senior Management Service	3.00	18.31
DROP - Applicable to Members from All of the Above Classes	0.00	12.84
FRS, Reemployed Retiree	(B)	(B)

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

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions, including employee contributions, for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$2,045,287.10, \$2,029,311.27, and \$2,666,359.63, respectively, which were equal to the required contributions for each fiscal year.

There were 64 District participants in the Investment Plan during the 2013-14 fiscal year. The District’s contributions, including employee contributions, to the Investment Plan totaled \$318,204.97, which was equal to the required contribution for the 2013-14 fiscal year.

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

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District’s health and hospitalization plan for medical, prescription drug, and life insurance coverage. The District subsidizes the premium rates

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paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Ninety percent of retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 262 retirees received other postemployment benefits. The District provided required contributions of \$297,371 toward the annual OPEB cost, net of retiree contributions totaling \$429,223, which represents 1.6 percent of covered payroll).

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 293,743
Amortization of Unfunded Actuarial Accrued Liability	<u>248,671</u>
Annual Required Contribution	542,414
Interest on Net OPEB Obligation	39,660
Adjustment to Annual Required Contribution	<u>(39,660)</u>
Annual OPEB Cost (Expense)	542,414
Contribution Toward the OPEB Cost	<u>(297,371)</u>
Change in Net OPEB Obligation	245,043
Net OPEB Obligation, Beginning of Year	<u>991,497</u>
Net OPEB Obligation, End of Year	<u><u>\$ 1,236,540</u></u>

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	\$ 541,679	50.0%	\$ 759,112
2012-13	517,530	55.1%	991,497
2013-14	542,414	54.8%	1,236,540

Funded Status and Funding Progress. As of October 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was \$6,096,078, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$6,096,078, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$27,087,193, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 22.5 percent.

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

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

The District’s OPEB actuarial valuation as of October 1, 2012, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2014, and to estimate the District’s 2013-14 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year; projected salary increases of 4.5 percent to 9.75 percent; and an annual healthcare cost trend rate of 8 percent initially beginning January 2014, reduced by 0.5 percent per year to 5 percent in January 2020, and then increasing for plan years 2028 and later for to an ultimate rate of 5.42 percent in January 2040 representing the estimated effect of the Federal Excise Tax on High-Cost Employer Health Plans. The investment rate of return and projected salary increase rates

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

include a general price inflation of 3 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 30-year period. The remaining amortization period at June 30, 2014, was 25 years.

F. 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 Levy County District School Board is a member of the North East Florida Educational Consortium (Consortium) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Putnam County District School Board serves as fiscal agent for the Consortium.

From July 2013 to December 2013, the District's health and hospitalization coverage was provided through purchased commercial insurance with minimum deductibles for each line of coverage. Effective January 1, 2014, the District's health insurance program is provided on a self-insured basis up to specific limits. The District entered into an agreement with a reinsurance company to provide individual and aggregate excess coverage. The company will reimburse 100 percent of individual claims in excess of \$150,000 and the aggregate reimbursement maximum is \$1,000,000 per policy period. A service organization administers this self-insurance program, including the processing, investigation and payment of claims. The lifetime maximum for each individual covered is unlimited.

Additionally, the District has entered into a contract with a vendor to operate the Wellness Center, a clinic at which employees who have District health insurance may see a doctor and receive stocked generic medicines free of charge.

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

A liability in the amount of \$448,870.42, represents estimated incurred, but not paid insurance claims payable at June 30, 2014.

The following schedule represents the changes in claims liability for the District's self-insurance program:

Fiscal Year	Liability at January 1, 2014	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2013-14	\$ 0.00	\$ 1,093,063.85	\$ (644,193.43)	\$ 448,870.42

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

G. Long-Term Liabilities

1. Certificates of Participation

The District entered into a financing arrangement which was characterized as a lease-purchase agreement, with the Levy County Public Facilities Finance Authority, Inc. (Authority), whereby the District secured financing in the amount of \$8,995,000 for various educational facilities and to advance-refund outstanding certificates of participation. The financing was accomplished through the issuance of Certificates of Participation, Series 2005, by the Authority to third-party investors. The certificates are to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Authority, with a rental fee of \$10 per year. The initial term of the lease agreement commenced on July 1, 2005, and is automatically renewable for successive one-year periods thereafter; the final lease term will expire on June 30, 2025. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through the term of the lease, the District may be required to surrender the sites included under the ground lease agreement for the benefit of the securers of the certificates.

The District properties included in the ground lease under this arrangement include an auditorium and administrative building at Chiefland High School, a gymnasium at Chiefland Middle School, a media center and cafetorium at Williston Middle School, a media center at Yankeetown School, and a food service building at Cedar Key School.

The lease payments are payable by the District semiannually, on July 1 and January 1, at interest rates ranging from 3.60 to 4.25 percent. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 661,463.76	\$ 430,000.00	\$ 231,463.76
2016	660,338.76	445,000.00	215,338.76
2017	659,318.76	460,000.00	199,318.76
2018	660,918.76	480,000.00	180,918.76
2019	656,718.76	495,000.00	161,718.76
2020-2024	3,297,062.54	2,805,000.00	492,062.54
2025	656,775.00	630,000.00	26,775.00
Total Minimum Lease Payments	<u><u>\$ 7,252,596.34</u></u>	<u><u>\$ 5,745,000.00</u></u>	<u><u>\$ 1,507,596.34</u></u>

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

2. Bonds Payable

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2009A, Refunding	\$ 65,000	5	2019
Series 2005B, Refunding	650,000	5	2018
District Revenue Bonds:			
Series 2005	1,680,000	3.5 - 4.5	2031
Total Bonds Payable	\$ 2,395,000		

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

➤ District Revenue Bonds

These bonds are authorized by Chapter 70-781, Laws of Florida, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Levy County from the State’s Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds were distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes (2013)). The annual distribution is remitted by the Florida Department of Financial Services to the District. These funds accrue annually to the Levy County District School Board after the first \$12,000 has been paid to the Levy County Board of Commissioners pursuant to Chapter 65-217, Laws of Florida. All such money not needed for the payment of principal and interest, and handling charges becoming due during the current fiscal year may be used for any lawful purpose. The District is not required to retain excess sinking fund balances or reserves over the amounts needed to make the required fiscal year payments.

The District has pledged a total of \$2,374,096.89 of sales tax remitted in lieu of pari-mutuel (racing commission) revenues in connection with the Series 2005, District Revenue Bonds, described above. During the 2013-14 fiscal year, the District recognized sales tax (racing commission) revenues totaling \$434,500 and expended \$141,937.51 (33 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax remitted in lieu of pari-mutuel revenues are committed until final maturity of the debt on September 1, 2030. Approximately 32 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

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

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2015	\$ 200,750.00	\$ 165,000.00	\$ 35,750.00
2016	192,500.00	165,000.00	27,500.00
2017	189,250.00	170,000.00	19,250.00
2018	200,750.00	190,000.00	10,750.00
2019	26,250.00	25,000.00	1,250.00
Total State School Bonds	809,500.00	715,000.00	94,500.00
District Revenue Bonds:			
2015	139,531.26	70,000.00	69,531.26
2016	141,946.88	75,000.00	66,946.88
2017	139,181.25	75,000.00	64,181.25
2018	141,175.00	80,000.00	61,175.00
2019	137,975.00	80,000.00	57,975.00
2020-2024	696,231.25	460,000.00	236,231.25
2025-2029	701,018.75	575,000.00	126,018.75
2030-2031	277,037.50	265,000.00	12,037.50
Total District Revenue Bonds	2,374,096.89	1,680,000.00	694,096.89
Total	\$ 3,183,596.89	\$ 2,395,000.00	\$ 788,596.89

3. Changes in Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$ 6,160,000.00	\$	\$ 415,000.00	\$ 5,745,000.00	\$ 430,000.00
Bonds Payable	2,620,000.00		225,000.00	2,395,000.00	235,000.00
Compensated Absences Payable	3,414,915.34	568,729.15	374,063.55	3,609,580.94	374,063.55
Other Postemployment Benefits Payable	991,497.00	542,414.00	297,371.00	1,236,540.00	
Total Governmental Activities	\$ 13,186,412.34	\$ 1,111,143.15	\$ 1,311,434.55	\$ 12,986,120.94	\$ 1,039,063.55

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

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

H. Fund Balance Reporting

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

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

I. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 180,703.88	\$ 3,343.40
Special Revenue:		
Food Service		166,886.59
Other Federal Programs		3,738.89
Capital Projects:		
Local Capital Improvement		6,735.00
Nonmajor Governmental	3,805.16	1,019.24
Internal Service		2,785.92
Total	\$ 184,509.04	\$ 184,509.04

Interfund balances generally arise due to expenditures being adjusted between funds. All balances are expected to be repaid in less than one year.

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

J. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 22,665,093.00
Categorical Educational Program - Class Size Reduction	5,758,011.00
Voluntary PreKindergarten Program	235,492.06
Motor Vehicle License Tax (Capital Outlay and Debt Service)	231,556.78
School Recognition	179,572.00
Charter School Capital Outlay	70,529.00
Discretionary Lottery Funds	51,510.00
Food Service Supplement	40,857.00
State Forrest Funds	29,750.87
Mobile Home License Tax	14,341.57
Miscellaneous	765,640.60
	<hr/>
Total	<u>\$ 30,042,353.88</u>

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

2. Property Taxes

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

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.086	\$ 8,714,823.07
Basic Discretionary Local Effort	0.748	1,281,693.59
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,570,241.15
Total	<u>7.334</u>	<u>\$12,566,757.81</u>

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

K. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 1,687,429.59	\$ 100,000.00
Special Revenue - Food Service	100,000.00	
Debt Service - Other	661,507.52	
Capital Projects - Local Capital Improvement		1,986,345.62
Nonmajor Governmental		362,591.49
Total	\$ 2,448,937.11	\$ 2,448,937.11

Interfund transfers are used primarily when revenues are recognized in one fund but are used to pay expenses in another. Capital Projects - Local Capital Improvement Fund transfers were used to pay certificates of participation debt, property and casualty insurance premiums, and maintenance and repair expenditures. Racetrack revenues and charter school capital outlay funds were also transferred to the General Fund. Transfers from the General Fund to the Special Revenue - Food Service Fund were to assist the Food Service Fund in maintaining a positive fund balance.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$	\$ 62,841.93	\$ 62,841.93	\$
Federal Through State and Local State	145,000.00	143,034.10	143,034.10	
State	30,072,783.00	29,208,287.76	29,208,287.76	
Local:				
Property Taxes	9,597,234.00	9,688,855.32	9,688,855.32	
Charges for Services - Food Service				
Miscellaneous	324,208.00	954,098.45	1,009,556.13	55,457.68
Total Local Revenues	<u>9,921,442.00</u>	<u>10,642,953.77</u>	<u>10,698,411.45</u>	<u>55,457.68</u>
Total Revenues	<u>40,139,225.00</u>	<u>40,057,117.56</u>	<u>40,112,575.24</u>	<u>55,457.68</u>
Expenditures				
Current - Education:				
Instruction	24,470,208.00	23,646,556.75	23,543,559.15	102,997.60
Student Personnel Services	1,872,311.00	1,982,239.11	1,879,876.35	102,362.76
Instructional Media Services	612,593.00	398,623.00	398,036.93	586.07
Instruction and Curriculum Development Services	542,082.00	597,082.00	590,086.73	6,995.27
Instructional Staff Training Services	245,278.00	304,090.42	298,421.11	5,669.31
Instruction Related Technology	128,887.00	210,514.41	200,126.48	10,387.93
School Board	241,250.00	331,250.00	324,783.35	6,466.65
General Administration	1,141,246.00	1,218,797.00	1,078,331.28	140,465.72
School Administration	2,972,731.00	3,084,452.89	3,083,214.59	1,238.30
Facilities Acquisition and Construction	60,577.00	37,361.39	7,469.66	29,891.73
Fiscal Services	397,002.00	455,701.81	454,883.07	818.74
Food Services				
Central Services	356,007.00	386,056.11	382,999.69	3,056.42
Student Transportation Services	3,645,654.00	3,686,587.00	3,680,018.15	6,568.85
Operation of Plant	3,441,060.00	3,881,045.39	3,879,017.91	2,027.48
Maintenance of Plant	941,469.00	1,088,044.00	1,083,891.90	4,152.10
Administrative Technology Services	436,616.00	663,126.24	660,258.87	2,867.37
Fixed Capital Outlay:				
Facilities Acquisition and Construction				
Other Capital Outlay		201,833.70	201,833.70	
Total Expenditures	<u>41,504,971.00</u>	<u>42,173,361.22</u>	<u>41,746,808.92</u>	<u>426,552.30</u>
Deficiency of Revenues Over Expenditures	<u>(1,365,746.00)</u>	<u>(2,116,243.66)</u>	<u>(1,634,233.68)</u>	<u>482,009.98</u>
Other Financing Sources (Uses)				
Transfers In	1,408,574.00	1,712,269.59	1,687,429.59	(24,840.00)
Insurance Loss Recoveries		98,416.68	98,416.68	
Transfers Out	(30,000.00)	(100,000.00)	(100,000.00)	
Total Other Financing Sources	<u>1,378,574.00</u>	<u>1,710,686.27</u>	<u>1,685,846.27</u>	<u>(24,840.00)</u>
Net Change in Fund Balances	12,828.00	(405,557.39)	51,612.59	457,169.98
Fund Balances, Beginning	1,743,880.00	1,743,879.95	1,743,879.95	
Fund Balances, Ending	<u>\$ 1,756,708.00</u>	<u>\$ 1,338,322.56</u>	<u>\$ 1,795,492.54</u>	<u>\$ 457,169.98</u>

Special Revenue - Food Service Fund				Special Revenue - Other Federal Programs Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 2,016,315.00	\$ 2,046,315.00	\$ 2,255,440.59	\$ 209,125.59 (6,143.00)	\$ 3,925,464.00	\$ 61,190.68	\$ 44,300.24	\$ (16,890.44) (765,266.00)
47,000.00	47,000.00	40,857.00			5,025,718.24	4,260,452.24	
425,400.00	425,400.00	153,448.86	(271,951.14)				
		5,034.51	5,034.51				
425,400.00	425,400.00	158,483.37	(266,916.63)				
2,488,715.00	2,518,715.00	2,454,780.96	(63,934.04)	3,925,464.00	5,086,908.92	4,304,752.48	(782,156.44)
				2,135,759.00	2,826,826.31	2,578,566.00	248,260.31
				177,027.00	192,983.19	128,031.79	64,951.40
				14,798.00	15,297.92	11,848.72	3,449.20
				629,469.00	765,747.91	588,991.06	176,756.85
				769,073.00	940,057.86	670,396.71	269,661.15
				42,154.00	43,154.16	42,487.53	666.63
					157,529.98	147,248.28	10,281.70
				144,187.00	191.25	112.77	78.48
				191.00			
					100.00	55.50	44.50
2,518,715.00	2,918,715.00	2,918,577.73	137.27				
					28,500.00	25,292.00	3,208.00
				8,451.00	16,613.91	16,170.69	443.22
				4,355.00	4,355.00		4,355.00
					95,551.43	95,551.43	
2,518,715.00	2,918,715.00	2,918,577.73	137.27	3,925,464.00	5,086,908.92	4,304,752.48	782,156.44
(30,000.00)	(400,000.00)	(463,796.77)	(63,796.77)				
30,000.00	100,000.00	100,000.00	4,690.28				
		4,690.28	4,690.28				
30,000.00	100,000.00	104,690.28	4,690.28				
	(300,000.00)	(359,106.49)	(59,106.49)				
404,784.79	404,784.79	404,784.79					
\$ 404,784.79	\$ 104,784.79	\$ 45,678.30	\$ (59,106.49)	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

	Special Revenue - Federal Economic Stimulus Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct				
Federal Through State and Local State	\$ 703,893.00	\$ 818,812.54	\$ 499,494.83	\$ (319,317.71)
Local:				
Property Taxes				
Charges for Services - Food Service				
Miscellaneous				
Total Local Revenues				
Total Revenues	703,893.00	818,812.54	499,494.83	(319,317.71)
Expenditures				
Current - Education:				
Instruction	354,795.00	358,602.82	167,251.94	191,350.88
Student Personnel Services	11,433.00	11,433.00		11,433.00
Instructional Media Services	456.00	457.00		457.00
Instruction and Curriculum Development Services	71,467.00	83,787.93	67,872.75	15,915.18
Instructional Staff Training Services	262,112.00	306,920.11	209,639.67	97,280.44
Instruction Related Technology				
School Board				
General Administration				
School Administration	1,310.00	1,309.00		1,309.00
Facilities Acquisition and Construction				
Fiscal Services				
Food Services				
Central Services	770.00	1,020.35	1,001.64	18.71
Student Transportation Services	1,550.00	1,549.50		1,549.50
Operation of Plant				
Maintenance of Plant				
Administrative Technology Services		2,000.00	1,996.00	4.00
Fixed Capital Outlay:				
Facilities Acquisition and Construction		51,732.83	51,732.83	
Other Capital Outlay				
Total Expenditures	703,893.00	818,812.54	499,494.83	319,317.71
Deficiency of Revenues Over Expenditures				
Other Financing Sources (Uses)				
Transfers In				
Insurance Loss Recoveries				
Transfers Out				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances				
Fund Balances, Beginning				
Fund Balances, Ending	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
June 30, 2008	\$ 0	\$ 2,375,637	\$ 2,375,637	0.0%	\$ 22,712,663	10.5%
October 1, 2010	0	6,660,474	6,660,474	0.0%	21,046,218	31.6%
October 1, 2012	0	6,096,078	6,096,078	0.0%	27,087,193	22.5%

Note: (1) The District's OPEB actuarial valuation used the projected unit cost credit normal cost method to estimate the June 30, 2008, actuarial accrued liability and used the entry age normal cost method to estimate the October 1, 2010, and October 1, 2012, actuarial accrued liabilities.

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

I. BUDGETARY BASIS OF ACCOUNTING

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

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

II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The October 1, 2012, unfunded actuarial accrued liability of \$6,096,078 was significantly lower than the October 1, 2010, liability of \$6,660,474 as a result of plan design changes reducing the cost of coverage coupled with increases in premiums charged to retirees as discussed below:

- The average cost of coverage provided to employees, retirees, and their dependents increased from \$409 per subscriber per month (as expected for the 2010 plan year) to \$448 per subscriber per month for the 2012 plan year. This increase is lower than the \$497 per employee per month projected for 2012 at the time the prior valuation was performed.
- The assumed rate of coverage lapsing for retirees attaining eligibility for Medicare benefits increased from 80 percent in the 2010 valuation to 90 percent for the 2012 valuation.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	13002	\$ 476,414.54	\$
National School Lunch Program	10.555 (2)	13001	1,808,965.41	
Total Child Nutrition Cluster			2,285,379.95	
Specialty Crop Block Grant Program - Farm Bill	10.170	019796	546.52	
Total United States Department of Agriculture			2,285,926.47	
United States Department of Education:				
Direct:				
Teacher Incentive Fund	84.374	N/A	44,300.24	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027 (3)	262, 263	1,436,158.55	1,783.87
Special Education - Preschool Grants	84.173 (4)	267	48,148.37	
University of South Florida:				
Special Education - Grants to States	84.027 (3)	None	93,915.74	
Marion County District School Board:				
Special Education - Grants to States	84.027 (3)	None	7,295.82	
Special Education - Preschool Grants	84.173 (4)	None	1,510.34	
Total Special Education Cluster			1,587,028.82	1,783.87
School Improvement Grants Cluster:				
Florida Department of Education:				
School Improvement Grants	84.377	126	56,968.82	
ARRA - School Improvement Grants, Recovery Act	84.388	126	59,932.21	
Total School Improvement Grants Cluster			116,901.03	
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 226	2,123,093.51	
Career and Technical Education - Basic Grants to States	84.048	161	93,772.25	
Rural Education	84.358	110	79,900.76	
English Language Acquisition Grants	84.365	102	27,711.49	
Improving Teacher Quality State Grants	84.367	224	279,891.11	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Funds, Recovery Act	84.395	RG311, RG411, RL111	439,562.62	
Alachua County District School Board:				
Migrant Education - State Grant Program	84.011	None	3,316.82	
Florida Gulf Coast University:				
Special Education - State Personnel Development	84.323	None	17,028.30	
Total Indirect			4,768,206.71	1,783.87
Total United States Department of Education			4,812,506.95	1,783.87
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	62,841.93	
Total Expenditures of Federal Awards			\$ 7,161,275.35	\$ 1,783.87

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

(2) Noncash Assistance - National School Lunch Program. Includes \$249,702.90 of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(3) Special Education - Grants to States. Total CFDA No. 84.027 expenditures: \$1,537,370.11.

(4) Special Education - Preschool Grants. Total CFDA No. 84.173 expenditures: \$49,658.71.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

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

Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Levy County District School Board, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 2, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

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

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 2, 2015



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

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

Report on Compliance for Each Major Federal Program

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

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 2, 2015

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

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

ADDITIONAL MATTERS

Finding No. 1: Payroll Processing Procedures

Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. During the 2013-14 fiscal year, the District reported salary costs of \$9,349,471 for noninstructional contracted personnel, such as administrative, secretarial, and technical and salaried support employees, and \$691,125 for hourly personnel. The District paid noninstructional contracted personnel on a payroll by exception basis in which employees receive their regular pay each period unless they use more leave than accumulated, resulting in a reduction to their salary, and hourly personnel were paid based on documented work time.

For hourly personnel, the District maintained time sheets to support the work time and related salary costs, documenting the employees’ arrival and departure times, which supervisors signed to evidence their review and approval. For noninstructional contracted personnel, reports are distributed to supervisors to certify employees’ leave used and the reports are returned to the Payroll Department for consideration in processing related salary costs. District personnel indicated that each department maintained sign-in/sign-out calendars or logs to evidence noninstructional contracted personnel work time; however, department supervisors did not evidence review and approval of the calendars or logs or otherwise evidence review and approval of noninstructional contracted personnel work time.

Although our audit tests did not disclose any instances of incorrect salary payments, our procedures cannot substitute for management’s responsibility to implement adequate controls. When work attendance is not timely verified of record, the risk increases that employees may be incorrectly compensated and employee leave balances may be inaccurate.

Recommendation: The District should enhance procedures to ensure documented supervisory review and approval of noninstructional contracted personnel work time.

Finding No. 2: Purchasing Procedures

Board-adopted policies prohibit conflicts of interest and the District had certain procedures in place to reduce the risk of contractual relationships that cause conflicts of interest. For example, the Director of Finance reviews and approves all purchase orders to help identify potential conflicts of interest. The Superintendent, Board members, Purchasing Coordinator, and Director of Finance were required to file statements of financial interest pursuant to Section 112.3145, Florida Statutes; however, District procedures did not require that personnel responsible for procurement decisions review the statements.

Subsequent to our inquiry in December 2014, the Purchasing Coordinator reviewed the most recent required statements of financial interests of the Superintendent and Board members and noted no apparent conflicts of interest. Providing for routine review and consideration of required statements of financial interest by personnel responsible for procurement decisions would enhance the District's procurement practices and reduce the risk of questioned procurement transactions or contractual obligations.

Recommendation: The District should provide for routine review of required statements of financial interests by personnel responsible for making procurement decisions.

Finding No. 3: Health Insurance Plan – Participant Eligibility

For the first six months of the 2013-14 fiscal year, the District provided health insurance coverage for eligible participants through purchased commercial insurance and, effective January 1, 2014, the District provided the coverage on a self-insured basis up to specific limits. Pursuant to Section 112.0801, Florida Statutes, former and retired employees and their eligible dependents participated in the District's health insurance at their own expense, but at the rate of current employees. District personnel were responsible for deducting the insurance premium costs from employee pay and ensuring former and retired employee premium payments were made. For the 2013-14 fiscal year, there were 715 employees, retirees, and former employees and 130 dependents participating in the District's self-insured health insurance plan. During the six month period from January 1, 2014 through June 30, 2014, premium revenues contributed to the District's self-insured health insurance plan totaled \$2.5 million, including Board contributions of \$2 million.

Employees, former employees, or retirees may enroll in the District's health insurance plan during open enrollment periods, or after a qualifying life event such as marriage, divorce, birth of a dependent, adoption, or death. Although employees, former employees, or retirees making health insurance changes are required to complete and sign a medical enrollment form prohibiting misrepresentations, the District did not require documentation, such as birth certificates, to evidence the eligibility of dependents participating in the District's health insurance plan. Without verifying the eligibility of dependents covered through the District's health insurance plan, there is an increased risk that dependents receiving insurance coverage may be ineligible participants.

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

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

Finding No. 4: Virtual Instruction Policies and Procedures

Pursuant to Section 1001.41(3), Florida Statutes, school districts are responsible for prescribing and adopting standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. Section 1002.45, Florida Statutes, establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available

optional types of virtual instruction; provide timely written parental notification of VIP options; ensure the eligibility of students participating in the VIP; and provide computer equipment, Internet access, and instructional materials to eligible students.

The District contracted with the North East Florida Educational Consortium (NEFEC) to administer certain aspects of the VIP. During the 2013-14 fiscal year, 8 students were enrolled full-time in VIP courses, and 53 students were enrolled part-time to supplement their school academic activity. While the District had written procedures for administering the VIP, the procedures could be enhanced to include additional guidance for District personnel charged with administering the VIP regarding matters such as parental notification of VIP options, provider contracts, instructional materials, and computing resources. Such guidance would promote compliance with the VIP statutory requirements, evidence management's expectations of key personnel, and communicate management's commitment to, and support of, effective controls. Additionally, the lack of such guidance may have contributed to the following instances of noncompliance and control deficiencies:

- Section 1002.45(10), Florida Statutes, requires that the District provide information to parents and students about their right to participate in a VIP, and Section 1002.45(1)(b), Florida Statutes, requires that the District provide parents with timely, written notification of the open enrollment periods for the VIP. District personnel indicated that letters are sent home with each student notifying parents about the District's VIP. The District's and NEFEC's Web sites also have links with information about the District's VIP, and District personnel indicated that the District distributes information regarding the VIP at back-to-school night at the beginning of the school year. While these methods indicate efforts by the District to communicate with parents and students about the VIP, District records did not evidence that written notifications were provided directly to parents. Without such direct notifications, some parents may not be informed of available VIP options and associated enrollment periods, potentially limiting student access to virtual instruction types.
- Section 1002.45(3)(d), Florida Statutes, requires the District to provide all necessary equipment, such as computers, monitors, and printers, and Internet access for online instruction, to full-time VIP students who are eligible for free or reduced price school lunches, or who are on the direct certification list, and who do not have a computer or Internet access at home. During the 2013-14 fiscal year, one student was provided computer equipment and District records did not evidence that the parents of all eligible VIP students were contacted to determine whether the students had all necessary resources to participate in the VIP. Without direct communication to parents of the availability of computing resources and documented determinations of whether families had computing resources, students may not be provided the necessary resources to successfully complete VIP courses.

A similar finding was noted in our report No. 2014-132.

Recommendation: The District should continue its efforts to develop and maintain comprehensive, written VIP procedures to enhance the effectiveness of its VIP operations and related activities.

Finding No. 5: Information Technology - Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions inconsistent with their assigned job responsibilities. For example, an employee should not control all critical stages of a transaction process, including performing a combination of functions such as data entry and verification of data, reconciliation to output, or supervisory authorization functions. In addition, appropriate restrictions of application end-user access privileges are necessary to preclude the possibility of one employee controlling all critical stages of a transaction process, including a combination of functions such as data entry and verification of data,

reconciliation of output, or supervisory authorization functions. Such access, if determined necessary, should be documented in writing through a risk assessment process along with the implementation of adequate compensating controls.

The District is a participating member of NEFEC. In addition to having its own IT employee, the District receives IT services from NEFEC through the educational technology services data center. Our test of selected access privileges to the District’s finance and human resources (HR) applications disclosed that the Finance Officer had systemwide access privileges that allowed update access to all functions within the finance and HR applications, including transaction origination, correction, and changes to finance and payroll data and security tables. In addition, the Director of Finance had systemwide access privileges that allowed update access to all functions within the finance application, including transaction origination, correction, and changes to finance data and security tables. In response to our inquiry, District personnel indicated that the District provided these employees systemwide access to perform functions of system administration, trouble shoot software issues, and make updates to transactions as needed following the release of new applications.

The District had certain compensating controls in place (e.g., supervisory monitoring of expenditures and employee activities, timely independent bank reconciliations, and supervisory review and approval of transactions such as journal entries and electronic funds transfers) to mitigate the control deficiencies noted above and our tests disclosed that District transactions were properly supported. However, the District did not document, in writing, a risk assessment to formally accept the risk associated with the access privileges assigned to the employees referred to above. Additionally, the District did not have procedures in place to monitor the system and transaction activity performed by the employees referred to above, such as routine review of user tracking reports that indicate the menu paths accessed and files affected. The absence of a written risk assessment may lessen the District’s assurance that all likely threats and vulnerabilities have been identified, the most significant risks have been addressed, and appropriate decisions have been made regarding which risks to accept and which risks to mitigate through appropriate controls. Additionally, the absence of effective monitoring controls increases the risk that unauthorized modification or destruction of District data and IT resources, should it occur, may not be detected in a timely manner.

Recommendation: The District should ensure that access privileges assigned enforce an appropriate separation of incompatible duties and restrict employees to only those functions necessary for their assigned job responsibilities. The District should also document through a written risk assessment process the necessity of employees who are allowed to have systemwide access and the procedures implemented to mitigate risks associated with such access.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2014-132, except that finding No. 4 was also noted in prior audit report No. 2014-132 as finding No. 3.

MANAGEMENT’S RESPONSE

Management’s response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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

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

Audit Report No. and Federal Awards Finding No.	Program/ Area	Brief Description	Status	Comments
2014-132		No prior Federal audit Findings.		

**EXHIBIT A
MANAGEMENT'S RESPONSE**

**Robert O. Hastings
Superintendent**



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Drive
P.O. Drawer 129

February 13, 2015

Mr. David W. Martin, CPA
Auditor General
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin,

Here is our response to the preliminary and tentative finding results from the audit of the Levy County District School Board for the fiscal year ending June 30, 2014.

Finding no. 1: Documented supervisory review of work time

The District will enhance procedures to ensure documented supervisory review and approval of non-instructional contracted personnel work time. Each work site will produce a summary of time worked and the Principal or Supervisor will authorize it with their signature and it will be included in the payroll process.

Finding no. 2: Purchasing procedures and conflicts of interest

Even though we have compensating controls the District Purchasing Coordinator will collect and review each statement of financial interest from personnel responsible for procurements decisions and keep them on file in his office.

Finding no. 3: Health Insurance participant eligibility

All future enrollees in the Levy County Health plan will be required to submit documentation evidencing a qualifying life event such as their marriage, divorce, birth, adoption, or death.

**EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE**

Finding 4: Virtual Instruction

The District will develop a VIP Manual and will continue to enhance the effectiveness of the VIP programs.

Finding 5: Information Technology – Access Privileges

The District will ensure access privileges assigned enforce the appropriate separation of incompatible duties and restrict employees to only those functions necessary for their assigned job responsibilities. The District does have compensating controls in place to mitigate the noted control deficiencies and we will expand and establish monitoring controls to track changes and system-wide activity.

Thank You.



Superintendent, Levy County School Board