State of Florida Auditor General

Financial, Operational, and Federal Single Audit

Report No. 2016-106
March 2016

LEVY COUNTY
DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2015

Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2014-15 fiscal year, Robert O. Hastings served as Superintendent and the following individuals served as Board members:

	District No.
Cameron A. Asbell	1
Christopher A. Cowart	2
Robert E. Philpot to 3-14-15 [a], Chair to 11-17-14	3
Paige Brookins, Vice Chair from 11-18-14	4
Rick Turner, Vice Chair to 11-17-14, Chair from 11-18-14	5

Note: [a] Deceased, position remained vacant from March 15, 2015 to June 30, 2015.

The team leader was John Davisson, CPA, and the audit was supervised by Denita K. Tyre, CPA.

Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Supervisor, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

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LEVY COUNTY DISTRICT SCHOOL BOARD

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LEVY COUNTY DISTRICT SCHOOL BOARD

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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 1: District financial reporting procedures could be improved to ensure that account balances and transactions are properly reported.

Finding 2: The District's General Fund total unassigned and assigned fund balance was below 3 percent of total General Fund revenues. Under these circumstances, the District had fewer resources for emergencies and unforeseen circumstances than other school districts of similar size.

Finding 3: The District could enhance procedures to better ensure that timely, written notifications are provided to parents about all Virtual Instruction Program (VIP) options offered.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster was audited as a major Federal program. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on the Child Nutrition Cluster.

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 program; and
- Taken corrective actions for findings included in our report No. 2015-121.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2015. 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, in both 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.

Sherrill F. Norman, 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

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, 2015, 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 17 percent of the assets and 31 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 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 from 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 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 of the Levy County District School Board, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note II. to the financial statements, the District, and a certain component unit, implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion, and the opinion of the other auditors, are not modified with respect to this matter.

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, Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension 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 accompanying **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 accompanying **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 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,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 1, 2016

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, 2015. 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 2014-15 fiscal year are as follows:

- On the statement of net position, total assets and deferred outflows of resources exceed total liabilities and deferred inflows by $36,496,338.66 at June 30, 2015.
- With implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, the District's beginning net position was decreased by $19,764,964, or 38 percent. Excluding the implementation of GASB 68, the District's financial position increased by 4,398,294.20, or 8 percent. As a result, total net position decreased $15,366,669.80, or 30 percent.
- General revenues total $48,353,123.87, or 85 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $8,637,122.10, or 15 percent of all revenues.
- Expenses total $52,591,951.77. Only $8,637,122.10 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- At the end of the current fiscal year, the fund balance of the General Fund totals $1,811,535.70, which is $16,043.16 more than the prior fiscal year balance. The General Fund total assigned and unassigned fund balances was $1,216,318.62, or 2.99 percent of total General Fund revenues.
- The Legislature allocated $11,471,709 to the District during the 2014-15 fiscal year for construction of a new $36 million middle/high school in Williston. The District is scheduled to receive additional allocations over the next 2 years to help finance the project. As a condition of receiving the State funds for school construction, the School Board was required to commit 1.5 mills in fiscal year 2014-15, 0.75 mills in fiscal year 2015-16, and 1.5 mills in fiscal year 2016-17 of its capital outlay tax collections for repayment to the State. The 3-year payback is estimated to be $6,323,471.20.

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, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents two charter schools in this report as discretely presented component units: Whispering Winds Charter School Project, Inc., and Nature Coast Middle School, Inc. Although legally separate organizations, they 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.

  The Levy County Public Facilities Finance Authority, Inc. (Authority), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Authority, the financial activities of the Authority are blended in the accompanying basic financial statements.

Fund Financial Statements

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

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

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

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

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

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 savings account.

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 net pension liability and its 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, 2015, compared to net position as of June 30, 2014:

Net Position, End of Year

	Governmental Activities	
	6-30-15	**6-30-14**
Current and Other Assets	$ 21,922,307.20	$ 12,308,872.60
Capital Assets	55,437,189.71	54,831,829.02
Total Assets	77,359,496.91	67,140,701.62
Deferred Outflows of Resources	3,303,265.00	-
Long-Term Liabilities	32,597,537.81	12,986,120.94
Other Liabilities	3,397,429.44	2,291,572.22
Total Liabilities	35,994,967.25	15,277,693.16
Deferred Inflows of Resources	8,171,456.00	-
Net Position:		
Net Investment in Capital Assets	47,999,189.71	46,691,829.02
Restricted	16,805,452.39	8,019,686.57
Unrestricted (Deficit)	(28,308,303.44)	(2,848,507.13)
Total Net Position	$ 36,496,338.66	$ 51,863,008.46

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

The restricted portion of the District’s net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position is mainly due to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

The key elements of the changes in the District’s net position for the fiscal years ended June 30, 2015, and June 30, 2014, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-15	**6-30-14**
Program Revenues:		
Charges for Services	$ 279,079.25	$ 261,808.49
Operating Grants and Contributions	2,869,996.73	2,296,297.59
Capital Grants and Contributions	5,488,046.12	234,080.73
General Revenues:		
Property Taxes, Levied for Operational Purposes	9,718,126.96	9,688,855.32
Property Taxes, Levied for Capital Projects	2,523,328.02	2,492,502.79
Grants and Contributions Not Restricted to Specific Programs	34,982,249.25	34,780,063.44
Unrestricted Investment Earnings	10,978.98	18,796.59
Miscellaneous	1,118,440.66	1,054,739.68
Total Revenues	56,990,245.97	50,827,144.63
Functions/Program Expenses:		
Instruction	25,979,011.39	26,178,777.93
Student Personnel Services	2,026,922.72	1,999,146.33
Instructional Media Services	386,250.95	407,842.73
Instruction and Curriculum Development Services	1,286,718.63	1,238,555.26
Instructional Staff Training Services	1,159,671.96	1,172,592.93
Instructional-Related Technology	382,312.85	243,899.20
Board	315,790.24	323,205.14
General Administration	1,152,455.01	1,234,131.44
School Administration	2,981,540.60	3,077,359.11
Facilities Acquisition and Construction	338,885.17	338,896.89
Fiscal Services	453,811.53	454,416.43
Food Services	3,027,463.41	2,871,383.94
Central Services	410,219.33	408,784.63
Student Transportation Services	3,907,316.04	4,010,587.53
Operation of Plant	4,057,520.12	3,868,652.27
Maintenance of Plant	1,008,974.42	1,084,208.07
Administrative Technology Services	695,455.92	664,368.93
Unallocated Interest on Long-Term Debt	328,355.86	367,728.51
Unallocated Depreciation Expense	2,603,635.27	2,656,806.97
Loss on Disposal of Capital Assets	89,640.35	-
Total Functions/Program Expenses	52,591,951.77	52,601,344.24
Change in Net Position	4,398,294.20	(1,774,199.61)
Net Position, Beginning of Year	51,863,008.46	53,637,208.07
Adjustments to Beginning Net Position (1)	(19,764,964.00)	-
Net Position - Beginning, as Restated	32,098,044.46	53,637,208.07
Net Position - Ending	$ 36,496,338.66	$ 51,863,008.46

Note: (1) Adjustment to beginning net position is due to the implementation of GASB Statement No. 68.

The largest revenue source is the State of Florida (62 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs revenues increased by $202,185.81, primarily due to an increase in FEFP revenues from the State.

Capital grants and contributions revenue increased by $5,253,965.39, primarily due to the special facilities funding received for the construction of the Williston Middle/High School.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The District receives funding 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 $56,916,038.05. Local revenue collections were $13,592,374.51 (24 percent), State revenues amounted to $35,477,624.30 (62 percent), and Federal revenues totaled $7,846,039.24 (14 percent).

Major Governmental Funds

The General Fund is the District's chief operating fund. General Fund revenues and other sources were greater than expenditures and other financing uses by $16,043.16, increasing the General Fund fund balance to $1,811,535.70 at June 30, 2015. State revenues increased $217,690.76, primarily the result of an increase in FEFP revenues. Local property tax revenues increased $29,271.64. In addition, District expenditures increased by $647,577.60, primarily from increases in salary and benefits costs. The total fund balance represents 4.46 percent of revenues available to the District. Some of the balance is restricted for State-required carryover programs ($266,074.40) and fuel tax refund collections ($329,142.68), and some is assigned for purchase commitments ($7,676.20) and local projects ($445,854.87), which leaves an unassigned fund balance of $762,787.55, or 1.88 percent of total revenues.

The Special Revenue – Other Federal Programs Fund reported revenues and expenditures of $4,183,550.61 each, and ended the year with no fund balance. The expenditures were for the continuation Federal related educational programs, primarily 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 Debt Service – Other Fund reported other financing sources and expenditures of $661,463.76 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 – Public Education Capital Outlay (PECO) Fund has a total fund balance of $10,174,430.36, which is restricted for the construction of the new high school. The fund balance increased in the current fiscal year due to the receipt of PECO Special Facilities funding. It should be noted that $36 million has been committed for the new middle/high school, which is being paid primarily by the PECO Special Facility funding.

The Capital Projects – Local Capital Improvement Fund reported revenues and other sources, and expenditures and other uses of $3,321,748.33 and $5,018,659.07, respectively, and ended the year with a fund balance of $5,374,880.81. Transfers out totaled $4,654,609.37, and of this amount, $2,500,565.98 was transferred to the Capital Projects – PECO Fund for revenue pledged under the PECO Special Facilities Construction Account resolution.

Proprietary Fund

Unrestricted net position of the Internal Service Fund totaled $503,106.75 at June 30, 2015. Operating expenses totaled $5,037,494.90, primarily comprised of insurance claims for the District's self-insurance program. The net position decreased by $161,921.07 due to higher than expected claims expense.

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 fiscal year 2014-15, 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

The District's investment in capital assets for its governmental activities as of June 30, 2015, is $55,437,189.71 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and computer software. The total increase in capital assets for the current fiscal year was approximately 1 percent.

At June 30, 2015, construction in progress totaled $3,069,824.79, including $2,838,233.90 for the new middle/high school in Williston, Florida.

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

Long-Term Debt

As of June 30, 2015, the School District had long-term capital related debt of $13,761,471.20. The year-end balance consists of $5,315,000 in certificates of participation payable, $2,123,000 in bonds payable, and $6,323,471.20 Special Facilities PECO advance payable. During the year, the District's overall debt increased $5,621,471.20 due to the addition of $6,323,471.20 of Special Facilities PECO advance payable; the issuance of $463,000 in State Bonds, Series 2014B; the defeasance of $500,000 in State Bonds, Series 2005B; and the repayment of debt, totaling $665,000.

On July 1, 2015, the District issued $5,400,000, Certificates of Participation, Series 2015, at a fixed interest rate of 2.29 percent, to refund $5,315,000, Certificates of Participation, Series 2005. The refunding will result in total debt savings of $346,937 due to a lower interest rate. Additionally, on September 1, 2015, the District issued $2,602,184.86, Capital Improvement Refunding and Revenue Certificates, Series 2015, at an interest rate of 2.67. The proceeds were used to refund $1,610,000 Capital Improvement Refunding and Revenue Certificates, Series 2005, and provide $1,000,000 for capital improvements throughout the District. The refunding will result in total debt savings of $442,897.97 due to a lower interest rate.

Additional information on the District's long-term debt can be found in notes 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). A student count is taken twice a year, October and February. Outlined below is a 5-year history of our FTE information:

	Fiscal Year				
	2010-11	2011-12	2012-13	2013-14	2014-15
FTE	5,616	5,616	5,585	5,407	5,382

The District operated 11 schools during the 2014-15 school year, including 4 elementary schools, 1 middle school, 3 high schools, 1 K-8 school, 1 K-12 school, and 1 special facility. In addition, it sponsored 2 charter schools, Whispering Winds Charter School Project, Inc., and Nature Coast Middle School, Inc.

The District is rural and has unique issues concerning the operations of 11 school sites. The Board will continue to be vigilant in monitoring its resources to meet the demands of our public education system.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances and to demonstrate compliance and accountability of its resources. 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 School Board of Levy County, Director of Finance, at 480 Marshburn Drive, Bronson, Florida, 32621.

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Levy County District School Board
Statement of Net Position
June 30, 2015

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	$ 11,025,142.09	$ 253,360.00
Cash with Fiscal Agent	545,731.88	-
Investments	14,565.73	-
Accounts Receivable	-	4,585.00
Deposits Receivable	-	880.00
Due from Other Agencies	10,154,470.52	-
Prepaid Items	-	11,259.00
Inventories	182,396.98	-
Capital Assets:		
Nondepreciable Capital Assets	5,459,620.56	134,505.00
Depreciable Capital Assets, Net	49,977,569.15	1,077,136.00
TOTAL ASSETS	77,359,496.91	1,481,725.00
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	3,303,265.00	42,523.00
LIABILITIES		
Accrued Salaries and Benefits	89,352.39	24,755.00
Payroll Deductions and Withholdings	431,192.87	-
Accounts Payable	584,990.48	17,233.00
Construction Contracts Payable	976,115.72	-
Construction Contracts Payable - Retained Percentage	149,610.97	-
Due to Other Agencies	271.21	-
Matured Bonds Payable	430,000.00	-
Matured Interest Payable	115,731.88	-
Advanced Revenues	231,163.92	-
Estimated Liability for Self-Insurance Program	389,000.00	-
Long-Term Liabilities:		
Portion Due Within One Year	1,356,057.18	44,704.00
Portion Due After One Year	31,241,480.63	935,928.00
TOTAL LIABILITIES	35,994,967.25	1,022,620.00
DEFERRED INFLOWS OF RESOURCES		
Pensions	8,171,456.00	161,623.00
NET POSITION		
Net Investment in Capital Assets	47,999,189.71	389,612.00
Restricted for:		
State Required Carryover Programs	266,074.40	-
Debt Service	14,565.73	-
Capital Projects	16,075,748.31	-
Food Service	119,921.27	-
Fuel Tax Refund	329,142.68	-
Unrestricted	(28,308,303.44)	(49,607.00)
TOTAL NET POSITION	$ 36,496,338.66	$ 340,005.00

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, 2015

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental Activities:				
Instruction	$ 25,979,011.39	$ 91,093.59	$ -	$ -
Student Personnel Services	2,026,922.72	-	-	-
Instructional Media Services	386,250.95	-	-	-
Instruction and Curriculum Development Services	1,286,718.63	-	-	-
Instructional Staff Training Services	1,159,671.96	-	-	-
Instructional-Related Technology	382,312.85	-	-	-
Board	315,790.24	-	-	-
General Administration	1,152,455.01	-	-	-
School Administration	2,981,540.60	-	-	-
Facilities Acquisition and Construction	338,885.17	-	-	5,293,459.37
Fiscal Services	453,811.53	-	-	-
Food Services	3,027,463.41	158,489.28	2,869,996.73	-
Central Services	410,219.33	-	-	-
Student Transportation Services	3,907,316.04	29,496.38	-	-
Operation of Plant	4,057,520.12	-	-	-
Maintenance of Plant	1,008,974.42	-	-	-
Administrative Technology Services	695,455.92	-	-	-
Unallocated Interest on Long-Term Debt	328,355.86	-	-	194,586.75
Unallocated Depreciation Expense*	2,603,635.27	-	-	-
Loss on Disposal of Capital Assets	89,640.35	-	-	-
Total Primary Government	$ 52,591,951.77	$ 279,079.25	$ 2,869,996.73	$ 5,488,046.12
Component Units				
Charter Schools	$ 1,395,659.00	$ 6,652.00	$ 107,837.00	$ 64,492.00

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
Adjustment to Beginning Net Position
Net Position - Beginning, as Restated

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	
Governmental Activities	Component Units
$ (25,887,917.80)	$ -
(2,026,922.72)	-
(386,250.95)	-
(1,286,718.63)	-
(1,159,671.96)	-
(382,312.85)	-
(315,790.24)	-
(1,152,455.01)	-
(2,981,540.60)	-
4,954,574.20	-
(453,811.53)	-
1,022.60	-
(410,219.33)	-
(3,877,819.66)	-
(4,057,520.12)	-
(1,008,974.42)	-
(695,455.92)	-
(133,769.11)	-
(2,603,635.27)	-
(89,640.35)	-
(43,954,829.67)	-
-	(1,216,678.00)
9,718,126.96	-
2,523,328.02	-
34,982,249.25	1,330,733.00
10,978.98	21.00
1,118,440.66	6,500.00
48,353,123.87	1,337,254.00
4,398,294.20	120,576.00
51,863,008.46	524,433.00
(19,764,964.00)	(305,004.00)
32,098,044.46	219,429.00
$ 36,496,338.66	$ 340,005.00

Levy County District School Board
Balance Sheet – Governmental Funds
June 30, 2015

	General Fund	Special Revenue - Other Federal Programs Fund	Debt Service - Other Fund
ASSETS			
Cash and Cash Equivalents	$ 1,478,607.12	$ 251,172.33	$ -
Cash with Fiscal Agent	-	-	545,731.88
Investments	-	-	-
Due from Other Funds	491,041.92	-	-
Due from Other Agencies	640,032.38	6,718.44	-
Inventories	-	-	-
TOTAL ASSETS	$ 2,609,681.42	$ 257,890.77	$ 545,731.88
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	$ 57,412.70	$ 16,655.47	$ -
Payroll Deductions and Withholdings	431,192.87	-	-
Accounts Payable	308,638.43	35,282.70	-
Construction Contracts Payable	-	-	-
Construction Contracts Payable - Retained Percentage	-	-	-
Due to Other Funds	630.51	3,962.80	-
Due to Other Agencies	271.21	-	-
Matured Bonds Payable	-	-	430,000.00
Matured Interest Payable	-	-	115,731.88
Advanced Revenues	-	201,989.80	-
Total Liabilities	798,145.72	257,890.77	545,731.88
Fund Balances:			
Nonspendable:			
Inventories	-	-	-
Restricted for:			
State Required Carryover Programs	266,074.40	-	-
Fuel Tax Refund	329,142.68	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Total Restricted Fund Balance	595,217.08	-	-
Assigned for:			
Local Projects	445,854.87	-	-
Purchase Commitments	7,676.20	-	-
Total Assigned Fund Balance	453,531.07	-	-
Unassigned Fund Balance	762,787.55	-	-
Total Fund Balances	1,811,535.70	-	-
TOTAL LIABILITIES AND FUND BALANCES	$ 2,609,681.42	$ 257,890.77	$ 545,731.88

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

	Capital Projects - Public Education Capital Outlay	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
	$ 2,127,692.10	$ 5,552,902.43	$ 604,171.43	$ 10,014,545.41
	-	-	-	545,731.88
	-	-	14,565.73	14,565.73
	-	1,526.00	377.30	492,945.22
	9,173,990.95	-	323,728.75	10,144,470.52
	-	-	182,396.98	182,396.98
	$ 11,301,683.05	$ 5,554,428.43	$ 1,125,240.19	$ 21,394,655.74
	$ -	$ -	$ 15,099.07	$ 89,167.24
	-	-	-	431,192.87
	-	5,012.18	156,526.51	505,459.82
	976,115.72	-	-	976,115.72
	149,610.97	-	-	149,610.97
	1,526.00	174,535.44	292,690.47	473,345.22
	-	-	-	271.21
	-	-	-	430,000.00
	-	-	-	115,731.88
	-	-	-	201,989.80
	1,127,252.69	179,547.62	464,316.05	3,372,884.73
	-	-	182,396.98	182,396.98
	-	-	-	266,074.40
	-	-	-	329,142.68
	-	-	14,565.73	14,565.73
	10,174,430.36	5,374,880.81	526,437.14	16,075,748.31
	10,174,430.36	5,374,880.81	541,002.87	16,685,531.12
	-	-	-	445,854.87
	-	-	-	7,676.20
	-	-	-	453,531.07
	-	-	(62,475.71)	700,311.84
	10,174,430.36	5,374,880.81	660,924.14	18,021,771.01
	$ 11,301,683.05	$ 5,554,428.43	$ 1,125,240.19	$ 21,394,655.74

Levy County District School Board
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015

Total Fund Balances - Governmental Funds			$ 18,021,771.01
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.			55,437,189.71
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 funds are included in governmental activities in the statement of net position.			503,106.75
The deferred outflows and deferred inflows related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.			
	Deferred Outflows Related to Pensions	$ 3,303,265.00	
	Deferred Inflows Related to Pensions	(8,171,456.00)	(4,868,191.00)
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:			
	Certificates of Participation Payable	$ 5,315,000.00	
	Bonds Payable	2,123,000.00	
	Special Facilities PECO Advance Payable	6,323,471.20	
	Compensated Absences Payable	3,582,738.61	
	Net Pension Liability	13,765,128.00	
	Other Postemployment Benefits Payable	1,488,200.00	(32,597,537.81)
Net Position - Governmental Activities			$ 36,496,338.66

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, 2015

	General Fund	Special Revenue - Other Federal Programs Fund	Debt Service - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 58,716.80	$ -	$ -
Federal Through State and Local	322,347.73	4,183,550.61	-
State	29,425,978.52	-	-
Local:			
Property Taxes	9,718,126.96	-	-
Impact Fees	-	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	1,097,254.67	-	-
Total Local Revenues	10,815,381.63	-	-
Total Revenues	40,622,424.68	4,183,550.61	-
Expenditures			
Current - Education:			
Instruction	23,972,612.80	2,409,312.56	-
Student Personnel Services	1,959,080.35	102,563.41	-
Instructional Media Services	381,542.34	12,038.96	-
Instruction and Curriculum Development Services	640,495.52	669,614.29	-
Instructional Staff Training Services	320,916.77	690,383.95	-
Instructional - Related Technology	211,576.02	43,668.80	-
Board	317,891.41	-	-
General Administration	1,003,046.82	152,744.26	-
School Administration	3,046,847.54	-	-
Facilities Acquisition and Construction	7,155.15	-	-
Fiscal Services	463,223.08	-	-
Food Services	-	-	-
Central Services	390,308.87	27,430.78	-
Student Transportation Services	3,581,327.33	21,642.02	-
Operation of Plant	4,073,147.96	-	-
Maintenance of Plant	1,024,830.29	-	-
Administrative Technology Services	700,446.29	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	22,867.78	-	-
Other Capital Outlay	277,070.20	54,151.58	-
Debt Service:			
Principal	-	-	430,000.00
Interest and Fiscal Charges	-	-	231,463.76
Total Expenditures	42,394,386.52	4,183,550.61	661,463.76
Excess (Deficiency) of Revenues Over Expenditures	(1,771,961.84)	-	(661,463.76)
Other Financing Sources (Uses)			
Transfers In	1,861,754.29	-	661,463.76
Issuance of Bonds	-	-	-
Premium on Sale of Bonds	-	-	-
Special Public Education Capital Outlay Advance	-	-	-
Payments to Refunding Escrow Agent	-	-	-
Loss Recoveries	26,250.71	-	-
Transfers Out	(100,000.00)	-	-
Total Other Financing Sources (Uses)	1,788,005.00	-	661,463.76
Net Change in Fund Balances	16,043.16	-	-
Fund Balances, Beginning	1,795,492.54	-	-
Fund Balances, Ending	$ 1,811,535.70	$ 0.00	$ 0.00

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

Capital Projects - Public Education Capital Outlay Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 58,716.80
-	-	3,281,424.10	7,787,322.44
5,254,828.80	-	796,816.98	35,477,624.30
-	2,523,328.02	-	12,241,454.98
-	-	68,481.84	68,481.84
-	-	158,489.28	158,489.28
497.23	10,106.61	16,089.90	1,123,948.41
497.23	2,533,434.63	243,061.02	13,592,374.51
5,255,326.03	2,533,434.63	4,321,302.10	56,916,038.05
-	-	52,516.20	26,434,441.56
-	-	175.72	2,061,819.48
-	-	-	393,581.30
-	-	7,036.76	1,317,146.57
-	-	172,428.02	1,183,728.74
-	-	129,419.65	384,664.47
-	-	-	317,891.41
-	-	-	1,155,791.08
-	-	-	3,046,847.54
22,408.54	304,491.69	2,155.17	336,210.55
-	-	-	463,223.08
-	-	3,057,817.51	3,057,817.51
-	-	258.36	417,998.01
-	-	676.10	3,603,645.45
-	-	-	4,073,147.96
-	-	-	1,024,830.29
-	-	-	700,446.29
3,094,380.79	-	-	3,117,248.57
-	56,460.20	115,121.66	502,803.64
-	-	235,000.00	665,000.00
-	3,097.81	93,794.29	328,355.86
3,116,789.33	364,049.70	3,866,399.44	54,586,639.36
2,138,536.70	2,169,384.93	454,902.66	2,329,398.69
2,500,565.98	788,313.70	100,000.00	5,912,097.73
-	-	463,000.00	463,000.00
-	-	44,046.52	44,046.52
6,323,471.20	-	-	6,323,471.20
-	-	(516,668.67)	(516,668.67)
-	-	-	26,250.71
(788,313.70)	(4,654,609.37)	(369,174.66)	(5,912,097.73)
8,035,723.48	(3,866,295.67)	(278,796.81)	6,340,099.76
10,174,260.18	(1,696,910.74)	176,105.85	8,669,498.45
170.18	7,071,791.55	484,818.29	9,352,272.56
$ 10,174,430.36	$ 5,374,880.81	$ 660,924.14	$ 18,021,771.01

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, 2015

Net Change in Fund Balances - Governmental Funds			$ 8,669,498.45
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 capital outlays in excess of depreciation expense in the current fiscal year.			676,818.97
The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets were recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.			(89,640.35)
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.			18,182.07
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments exceed proceeds in the current fiscal year.			702,000.00
Special facility construction funding provides current financial resources to the governmental funds, but increases long-term liabilities in the statement of net position.			(6,323,471.20)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year.			26,842.33
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.			(251,660.00)
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service funds is reported with governmental activities.			(161,921.07)
Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.			
	FRS Pension Contribution	$ 1,805,754.00	
	HIS Pension Contribution	367,024.00	
	FRS Pension Expense	(416,517.00)	
	HIS Pension Expense	(624,616.00)	1,131,645.00
Change in Net Position - Governmental Activities			$ 4,398,294.20

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, 2015

		Governmental Activities - Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	1,010,596.68
LIABILITIES		
Current Liabilities:		
Accrued Salaries and Benefits		185.15
Accounts Payable		79,530.66
Due to Other Funds		9,600.00
Advanced Revenues		29,174.12
Estimated Liability for Self-Insurance Program		389,000.00
Total Liabilities		507,489.93
NET POSITION		
Unrestricted	$	503,106.75

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

Levy County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	Governmental Activities - Internal - Service Fund
OPERATING REVENUES	
Premium Revenues	$ 4,703,869.51
OPERATING EXPENSES	
Salaries	7,659.43
Employee Benefits	1,145.51
Purchased Services	719,560.13
Energy Services	2,047.92
Materials and Supplies	12,656.00
Insurance Claims	3,499,259.85
Other Expenses	795,166.06
Total Operating Expenses	5,037,494.90
Operating Loss	(333,625.39)
NONOPERATING REVENUES	
Interest	699.13
Gifts, Grants, and Bequests	170,925.19
Other	80.00
Total Nonoperating Revenues	171,704.32
Change in Net Position	(161,921.07)
Total Net Position - Beginning	665,027.82
Total Net Position - Ending	$ 503,106.75

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, 2015

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Premiums	$ 4,703,227.27
Cash Payments for Services	(1,583,149.07)
Cash Payments to Employees for Services	(8,989.66)
Cash Payments for Insurance Claims	(3,559,130.27)
Net Cash Used by Operating Activities	(448,041.73)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Gifts, Grants, and Bequests	170,925.19
Other	80.00
Net Cash Provided by Noncapital Financing Activities	171,005.19
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	699.13
Net Decrease in Cash and Cash Equivalents	(276,337.41)
Cash and Cash Equivalents, Beginning	1,286,934.09
Cash and Cash Equivalents, Ending	$ 1,010,596.68
Reconciliation of Operating Loss to to Net Cash Used by Operating Activities:	
Operating Loss	$ (333,625.39)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Accrued Salaries and Benefits	(184.72)
Decrease in Accounts Payable	(60,533.04)
Increase in Due to Other Funds	6,814.08
Decrease in Advanced Revenues	(642.24)
Decrease in Estimated Liability for Self-Insurance Program	(59,870.42)
Total Adjustments	(114,416.34)
Net Cash Used by Operating Activities	$ (448,041.73)

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, 2015

		Agency Funds
ASSETS		
Cash and Cash Equivalents	$	452,762.68
Due from Other Agencies		5,152.32
TOTAL ASSETS	$	457,915.00
LIABILITIES		
Due to Other Funds	$	10,000.00
Internal Accounts Payable		447,915.00
TOTAL LIABILITIES	$	457,915.00

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

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 (FDOE), 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, a 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 III.I.1. Due to the substantive economic relationship between the District and the Authority, the 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 units' columns in the government-wide financial statements include the financial data of 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 Levy County District School 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 impose 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, 2015. The audit reports are filed in the District's administrative offices at 480 Marshburn Drive, Bronson, Florida, 32621.

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, the proprietary fund, 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 unit. 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.

The District reports the following major governmental funds:

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

- 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 – Public Education Capital Outlay Fund – to account for the proceeds of Special Facility Construction Account appropriations to be used for construction of the new Williston Middle/High School, and for the financial resources generated by the Public Education Capital Outlay and Debt Service Trust Fund to be used for facilities maintenance.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, new and replacement equipment, motor vehicle purchases, and debt service payments on certificates of participation.

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.
- 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 Savings 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 fiscal year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. 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 the 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.

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 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 90 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 90 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, pension benefits, 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, Deferred Outflows/Inflows of Resources, 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 3 months or less. Investments classified as cash equivalents consist of amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds 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 investment pool created by Section 218.405, Florida Statutes. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

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.

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 operations. Inventories are stated at cost based on the last invoice, which approximates the first-in, first-out basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when 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 1 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:

Description	Estimated Useful Lives
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

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

5. Pensions

In the government-wide statement of net position, liabilities are recognized for the District’s proportionate share of each pension plan’s net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan, and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The District's retirement plans and related amounts are described in a subsequent note.

6. 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. Governmental fund types recognize debt premiums during the current period. The face amount of debt issued and related debt premiums are reported as other financing sources.

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The District only has one item that qualifies for reporting in this category, the deferred amounts related to pensions, which is discussed in a subsequent note.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, the deferred amounts related to pensions, which is discussed in a subsequent note.

8. 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.

9. 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 restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2015.

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 FDOE 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 FDOE. The FDOE 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 5 months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The FDOE 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 fiscal year to be expended for the same educational programs. The FDOE 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.

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

Pursuant to Section 1013.64, Florida Statutes, the District received a special allocation in the 2014-15 fiscal year for specific construction needs through the PECO and Debt Service Trust Fund - Special Facility Construction Account. As a condition for receiving these funds, other construction funding must be pledged for the project, including a portion of the capital outlay millage levied pursuant to Section 1011.71(2), Florida Statutes, for the following 3 fiscal years.

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

3. District Property Taxes

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

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

The Board adopted the 2014 tax levy on September 16, 2014. 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 for most new residential construction. 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.

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 and excess coverage premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. ACCOUNTING CHANGES

Governmental Accounting Standards Board Statement No. 68. The District, and a certain discretely presented component unit, participate in the FRS defined benefit pension plan and the HIS defined benefit plan administered by the Florida Division of Retirement. As participating employers, the District and the discretely presented component unit implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the District was decreased by $19,764,964, and the beginning net position of the component unit was decreased by $305,004 due to the adoption of this Statement.

III. 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, 2015, the District had the following investments:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	34 Day Average	$6,686,895.76
Debt Service Accounts	6 Months	14,565.73
Total Investments, Reporting Entity		$6,701,461.49

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 uses a weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

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 public 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.

C. Due from Other Agencies

The $640,032.38 due from other agencies in the General Fund includes $412,794.49 due from the Department of Management Services for E-rate reimbursements and $128,126.12 due from the Florida Agency for Healthcare Administration for Medicaid Outreach. The $9,173,990.95 due from other agencies in the Capital Projects – PECO Fund includes $9,089,808.49 due from the FDOE under a special appropriation for construction of the new Williston Middle/High School.

D. 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	$ 2,421,239.77	$ 24,556.00	$ 56,000.00	$ 2,389,795.77
Construction in Progress	-	3,069,824.79	-	3,069,824.79
Total Capital Assets Not Being Depreciated	2,421,239.77	3,094,380.79	56,000.00	5,459,620.56
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,854,319.84	22,867.78	-	4,877,187.62
Buildings and Fixed Equipment	83,299,957.64	-	36,879.00	83,263,078.64
Furniture, Fixtures, and Equipment	5,680,853.18	502,985.71	102,465.34	6,081,373.55
Motor Vehicles	7,031,404.30	18,000.00	442,081.82	6,607,322.48
Computer Software	1,477,920.64	-	-	1,477,920.64
Total Capital Assets Being Depreciated	102,344,455.60	543,853.49	581,426.16	102,306,882.93
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,696,413.34	188,392.31	-	2,884,805.65
Buildings and Fixed Equipment	34,753,009.46	2,090,449.32	3,687.90	36,839,770.88
Furniture, Fixtures, and Equipment	5,208,419.93	272,489.69	102,016.09	5,378,893.53
Motor Vehicles	5,933,048.96	345,496.64	442,081.82	5,836,463.78
Computer Software	1,342,974.66	46,405.28	-	1,389,379.94
Total Accumulated Depreciation	49,933,866.35	2,943,233.24	547,785.81	52,329,313.78
Total Capital Assets Being Depreciated, Net	52,410,589.25	(2,399,379.75)	33,640.35	49,977,569.15
Governmental Activities Capital Assets, Net	$ 54,831,829.02	$ 695,001.04	$ 89,640.35	$ 55,437,189.71

Depreciation expense was charged to functions as follows:

Function		Amount
GOVERNMENTAL ACTIVITIES		
Student Transportation Services	$	338,585.47
Maintenance of Plant		1,012.50
Unallocated		2,603,635.27
Total Depreciation Expense - Governmental Activities	$	2,943,233.24

E. Retirement Plans

1. Florida Retirement System (FRS) – Defined Benefit Pension Plans

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree HIS Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered 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. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of 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 Web site (www.dms.myflorida.com).

The District's pension expense totaled $1,041,133 for the fiscal year ended June 30, 2015.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 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. Employees enrolled in the Plan 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 to eligible participants.

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 participating 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. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	Percent Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Elected County Officers	3.00
Senior Management Service Class	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	7.37
FRS, Elected County Officers	3.00	43.24
FRS, Senior Management Service	3.00	21.14
DROP - Applicable to Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.
(2) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan totaled $1,805,754 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a liability of $4,624,159 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.075787613 percent, which was a decrease of 0.000749691 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the Plan pension expense of $416,517. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 286,156
Change of assumptions	800,827	-
Net difference between projected and actual earnings on FRS pension plan investments	-	7,713,865
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	-	108,570
District FRS contributions subsequent to the measurement date	1,805,754	-
Total	$ 2,606,581	$ 8,108,591

The deferred outflows of resources related to pensions, totaling $1,805,754, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ (1,851,843)
2017	(1,851,843)
2018	(1,851,843)
2019	(1,851,843)
2020	76,623
Thereafter	22,985
Total	$ (7,307,764)

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	**Target Allocation** (1)	**Annual Arithmetic Return**	**Compound Annual (Geometric) Return**	**Standard Deviation**
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

Note: (1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	**Current Discount Rate (7.65%)**	**1% Increase (8.65%)**
District's proportionate share of the net pension liability	$ 19,778,142	$ 4,624,159	$ (7,981,064)

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2015, the District reported as payables $238,162.86 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2015.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled $367,024 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a net pension liability of $9,140,969 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the

District's proportionate share was 0.097761819 percent, which was a decrease of 0.000838535 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the HIS Plan pension expense of $624,616. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 325,272	$ -
Net difference between projected and actual earnings on HIS pension plan investments	4,388	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	-	62,865
District contributions subsequent to the measurement date	367,024	-
Total	$ 696,684	$ 62,865

The deferred outflows of resources, totaling $367,024, was related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ 43,421
2017	43,421
2018	43,421
2019	43,421
2020	42,324
Thereafter	50,787
Total	$ 266,795

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	4.29 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

While an experience study had not been completed for the plan, the FRS Actuarial Assumptions Conference reviewed the actuarial assumptions for the plan.

Discount Rate. The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.29 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	Decrease (3.29%)	Discount Rate (4.29%)	Increase (5.29%)
District's proportionate share of the net pension liability	$10,397,112	$ 9,140,969	$8,092,449

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2015, the District reported as payables $52,406.92 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2015.

2. FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

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 the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Senior Management Service	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled $237,399.59 for the fiscal year ended June 30, 2015.

F. 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 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. Fifty 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 2014-15 fiscal year, 213 retirees received other postemployment benefits. The District provided required contributions of $245,686 toward the annual OPEB cost, net of retiree contributions totaling $461,667, which represents 1.7 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:

Description	Amount
Normal Cost (service cost for 1 year)	$ 273,226
Amortization of Unfunded Actuarial Accrued Liability	238,547
Annual Required Contribution	511,773
Interest on Net OPEB Obligation	37,096
Adjustment to Annual Required Contribution	(51,523)
Annual OPEB Cost (Expense)	497,346
Contribution Toward the OPEB Cost	(245,686)
Increase in Net OPEB Obligation	251,660
Net OPEB Obligation, Beginning of Year	1,236,540
Net OPEB Obligation, End of Year	$ 1,488,200

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, 2015, and the 2 preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Estimated Net OPEB Obligation
2012-13	$ 517,530	55.1%	$ 991,497
2013-14	542,414	54.8%	1,236,540
2014-15	497,346	49.4%	1,488,200

Funded Status and Funding Progress. As of January 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was $5,641,116, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $5,641,116 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $27,750,687, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 20.33 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 January 1, 2015, used the individual entry age normal actuarial cost method with an amortization of the unfunded actuarial accrued liability as a level percent of expected payroll to estimate the unfunded actuarial liability as of June 30, 2015, and to estimate the unfunded actuarial liability as of June 30, 2015. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the District’s long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 7.5 percent initially beginning January 2016, decreased each year to an ultimate rate of 4.24 percent in January 2041. 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, 2015, was 24 years.

G. Construction and Other Significant Commitments

Encumbrances. Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next fiscal year's appropriations are likewise encumbered. The following is a schedule of encumbrances at June 30, 2015:

	Major Funds			
	General	Capital Projects - Public Education Capital Outlay	Nonmajor Governmental Funds	Total Governmental Funds
	$ 7,676.20	$ 964,853.23	$ 137,182.36	$ 1,109,711.79

Construction Contracts. The following are the District's major construction contract commitments at fiscal year-end:

Project	Contract Amount	Completed to Date	Balance Committed
Williston Middle/High School:			
Architect	$ 1,638,123.00	$ 1,342,124.19	$ 295,998.81
Contractor	32,782,461.00	1,496,109.71	31,286,351.29
Direct Materials	964,853.23	-	964,853.23
Total	$ 35,385,437.23	$ 2,838,233.90	$ 32,547,203.33

H. 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 of the Consortium is composed of superintendents of the participating school districts. The Putnam County District School Board serves as fiscal agent for the Consortium.

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 insurance coverage in any of the past three fiscal years.

A liability in the amount of $389,000, represents estimated incurred, but not paid insurance claims payable at June 30, 2015.

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

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2013-14	$ -	$ 1,093,063.85	$ (644,193.43)	$ 448,870.42
2014-15	448,870.42	3,499,259.85	(3,559,130.27)	389,000.00

I. 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 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 1-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:

Fiscal Year Ending June 30	Total	Principal	Interest
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	656,918.76	515,000.00	141,918.76
2021-2025	3,296,918.78	2,920,000.00	376,918.78
Total Minimum Lease Payments	$6,591,132.58	$5,315,000.00	$1,276,132.58

2. Bonds Payable

Bonds payable at June 30, 2015, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2009A, Refunding	$ 50,000	5.0	2019
Series 2014B, Refunding	463,000	2.0 - 5.0	2020
District Revenue Bonds:			
Series 2005	1,610,000	3.625 - 4.500	2031
Total Bonds Payable	$ 2,123,000		

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 (2014)). 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 pledged a total of $2,234,565.63 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 2014-15 fiscal year, the District recognized sales tax (racing commission) revenues totaling $434,500 and expended $139,531.26 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 33 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	**Total**	**Principal**	**Interest**
State School Bonds:			
2016	$ 169,932.33	$ 143,000.00	$ 26,932.33
2017	165,960.00	148,000.00	17,960.00
2018	171,560.00	161,000.00	10,560.00
2019	45,510.00	43,000.00	2,510.00
2020	18,360.00	18,000.00	360.00
Total State School Bonds	571,322.33	513,000.00	58,322.33
District Revenue Bonds:			
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	139,675.00	85,000.00	54,675.00
2021-2025	696,587.50	480,000.00	216,587.50
2026-2030	699,987.50	600,000.00	99,987.50
2031	138,037.50	135,000.00	3,037.50
Total District Revenue Bonds	2,234,565.63	1,610,000.00	624,565.63
Total	$ 2,805,887.96	$ 2,123,000.00	$ 682,887.96

3. Defeased Debt

The FDOE issued SBE Capital Outlay Refunding Bonds, Series 2014B, dated December 2, 2014, with an average interest rate of 5 percent, to refund callable portions of the District's State School Bonds, Series 2005B. The Refunding Bonds were issued to refund State School Bonds, Series 2005B that mature on or after January 1, 2015, including District bonds totaling $500,000. The District's pro rata share of the net proceeds totaling $463,000 (after payment of $794.52 in issuance costs and underwriter's discount) plus an additional $10,416.67 of Series 2014B sinking fund moneys were used to call the District's portion of the remaining outstanding debt on January 1, 2015.

4. Special Facilities Public Education Capital Outlay Advance Payable

The liability at June 30, 2015, of $6,323,471.20 represents the amount of the Special Facilities Public Education Capital Outlay (PECO) allocation expected to be replaced by other District capital outlay sources that are committed under Section 1013.64, Florida Statutes, for funding specific construction needs. The liability is expected to be retired by the close of the 2016-17 fiscal year.

5. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	$ 5,745,000.00	$ -	$ 430,000.00	$ 5,315,000.00	$ 445,000.00
Bonds Payable	2,395,000.00	463,000.00	735,000.00	2,123,000.00	218,000.00
Special Facilities PECO Advance Payable	-	6,323,471.20	-	6,323,471.20	-
Compensated Absences Payable	3,609,580.94	359,349.88	386,192.21	3,582,738.61	386,192.21
Net Pension Liability (1)	21,759,933.00	2,063,050.00	10,057,855.00	13,765,128.00	306,864.97
Other Postemployment Benefits Payable	1,236,540.00	497,346.00	245,686.00	1,488,200.00	-
Total Governmental Activities	$34,746,053.94	$ 9,706,217.08	$11,854,733.21	$32,597,537.81	$ 1,356,057.18

Note: (1) The beginning balance resulted from the implementation of GASB Statement No. 68.

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

J. 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.

K. Interfund Receivables and Payables

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 491,041.92	$ 630.51
Special Revenue:		
Other Federal Programs	-	3,962.80
Capital Projects:		
Public Education Capital Outlay	-	1,526.00
Local Capital Improvement	1,526.00	174,535.44
Nonmajor Governmental	377.30	292,690.47
Internal Service	-	9,600.00
Fiduciary	-	10,000.00
Total	$ 492,945.22	$ 492,945.22

Interfund balances generally arise due to expenditures being adjusted between funds. All balances are expected to be repaid in less than 1 year.

L. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2014-15 fiscal year:

Source	Amount
Florida Education Finance Program	$ 23,155,964.00
Categorical Educational Program - Class Size Reduction	5,783,544.00
Gross Receipts Tax (Public Education Capital Outlay)	5,254,828.80
Motor Vehicle License Tax (Capital Outlay and Debt Service)	236,673.98
Voluntary PreKindergarten Program	231,990.04
School Recognition	130,202.00
Charter School Capital Outlay	64,492.00
Food Service Supplement	38,314.00
Mobile Home License Tax	15,618.59
Miscellaneous	565,996.89
Total	$ 35,477,624.30

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 2014 tax roll for the 2014-15 fiscal year:

	Millages	Taxes Levied
General Fund		
Nonvoted School Tax:		
Required Local Effort	5.031	$ 8,729,294.48
Basic Discretionary Local Effort	0.748	1,297,854.02
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,602,648.43
Total	7.279	$12,629,796.93

M. Interfund Transfers

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

	Interfund	
Funds	**Transfers In**	**Transfers Out**
Major:		
General	$ 1,861,754.29	$ 100,000.00
Debt Service:		
Other	661,463.76	-
Capital Projects:		
Public Education Capital Outlay	2,500,565.98	788,313.70
Local Capital Improvement	788,313.70	4,654,609.37
Nonmajor Governmental	100,000.00	369,174.66
Total	$ 5,912,097.73	$ 5,912,097.73

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 (LCI) Fund transfers include transfers to the Debt Service – Other Fund to pay certificates of participation debt, transfers to the General Fund for property and casualty insurance premiums and for maintenance and repair expenditures; and transfers to the Capital Projects – PECO Fund for revenue pledged in connection with the PECO Special Facilities allocation for the construction of the new middle/high school. The transfer from the Capital Projects – PECO Fund was to reimburse the Capital Projects – LCI Fund for certain expenditures relating to the construction of the new middle/high school. Transfers from the General Fund to nonmajor governmental funds were to assist the food service program. Transfers from nonmajor governmental funds to the General Fund included charter school capital outlay and race track commission funds.

IV. SUBSEQUENT EVENTS

On July 1, 2015, the District issued $5,400,000, Certificates of Participation, Series 2005, at a fixed interest rate of 2.29 percent. The proceeds were used to refund $5,315,000, Certificates of Participation, Series 2005. The refunding will result in total debt savings of $346,937 due to a lower interest rate.

The District issued $2,602,184.86, Capital Improvement Refunding and Revenue Certificates, Series 2015, dated July 2, 2015, at an interest rate of 2.67 percent. The proceeds were used to refund $1,610,000, Capital Improvement Refunding and Revenue Certificates, Series 2005, and to provide $1,000,000 for capital projects.

On November 14, 2015, the district entered into a 5-year lease-purchase agreement to acquire five buses at a principal amount of $531,390 at an interest rate of 1.87 percent.

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Budgetary Comparison Schedule
General and Major Special Revenue Funds
For the Fiscal Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ -	$ 58,716.80	$ 58,716.80	$ -
Federal Through State and Local	165,000.00	322,347.73	322,347.73	-
State	29,986,021.00	29,426,263.25	29,425,978.52	(284.73)
Local:				
Property Taxes	9,655,268.00	9,744,674.14	9,718,126.96	(26,547.18)
Miscellaneous	350,168.00	1,122,164.54	1,097,254.67	(24,909.87)
Total Local Revenues	10,005,436.00	10,866,838.68	10,815,381.63	(51,457.05)
Total Revenues	40,156,457.00	40,674,166.46	40,622,424.68	(51,741.78)
Expenditures				
Current - Education:				
Instruction	23,654,932.00	24,373,904.64	23,972,612.80	401,291.84
Student Personnel Services	1,983,793.00	1,971,454.00	1,959,080.35	12,373.65
Instructional Media Services	597,418.00	386,958.00	381,542.34	5,415.66
Instruction and Curriculum Development Services	541,182.00	642,793.00	640,495.52	2,297.48
Instructional Staff Training Services	301,270.00	329,025.00	320,916.77	8,108.23
Instructional - Related Technology	166,460.00	236,328.58	211,576.02	24,752.56
Board	331,250.00	321,250.00	317,891.41	3,358.59
General Administration	1,184,869.00	1,013,769.00	1,003,046.82	10,722.18
School Administration	2,967,526.00	3,053,526.00	3,046,847.54	6,678.46
Facilities Acquisition and Construction	85,452.00	42,827.40	7,155.15	35,672.25
Fiscal Services	397,002.00	463,502.00	463,223.08	278.92
Central Services	387,107.00	399,795.00	390,308.87	9,486.13
Student Transportation Services	3,773,068.00	3,602,212.54	3,581,327.33	20,885.21
Operation of Plant	3,831,643.00	4,086,643.00	4,073,147.96	13,495.04
Maintenance of Plant	1,051,759.00	1,028,891.22	1,024,830.29	4,060.93
Administrative Technology Services	390,269.00	702,559.29	700,446.29	2,113.00
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	22,867.78	22,867.78	-
Other Capital Outlay	-	277,070.20	277,070.20	-
Total Expenditures	41,645,000.00	42,955,376.65	42,394,386.52	560,990.13
Excess (Deficiency) of Revenues Over Expenditures	(1,488,543.00)	(2,281,210.19)	(1,771,961.84)	509,248.35
Other Financing Sources (Uses)				
Transfers In	-	1,861,754.29	1,861,754.29	-
Loss Recoveries	-	26,250.71	26,250.71	-
Transfers Out	(100,000.00)	(135,144.10)	(100,000.00)	35,144.10
Total Other Financing Sources (Uses)	(100,000.00)	1,752,860.90	1,788,005.00	35,144.10
Net Change in Fund Balances	(1,588,543.00)	(528,349.29)	16,043.16	544,392.45
Fund Balances, Beginning	1,795,492.54	1,795,492.54	1,795,492.54	-
Fund Balances, Ending	$ 206,949.54	$ 1,267,143.25	$ 1,811,535.70	$ 544,392.45

Special Revenue - Other Federal Programs Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ -	$ -	$ -	$ -
4,254,602.00	5,115,177.00	4,183,550.61	(931,626.39)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
4,254,602.00	5,115,177.00	4,183,550.61	(931,626.39)
2,656,424.06	2,913,691.62	2,409,312.56	504,379.06
193,165.80	220,614.94	102,563.41	118,051.53
12,277.44	12,278.00	12,038.96	239.04
464,486.26	679,725.94	669,614.29	10,111.65
706,693.65	920,954.48	690,383.95	230,570.53
41,309.92	71,533.63	43,668.80	27,864.83
-	-	-	-
166,113.69	184,498.00	152,744.26	31,753.74
191.25	191.00	-	191.00
-	-	-	-
-	-	-	-
3,097.78	32,615.41	27,430.78	5,184.63
10,842.15	24,922.40	21,642.02	3,280.38
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	54,151.58	54,151.58	-
4,254,602.00	5,115,177.00	4,183,550.61	931,626.39
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
$ 0.00	$ 0.00	$ 0.00	$ 0.00

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]
10/01/10	$ -	$ 6,660,474	$ 6,660,474	0.0%	$ 21,046,218	31.6%
10/01/12	-	6,096,078	6,096,078	0.0%	27,087,193	22.5%
01/01/15	-	5,641,116	5,641,116	0.0%	27,750,687	20.3%

Note: (1) The District's OPEB actuarial valuation used the individual entry age normal actuarial cost method with an amortization of the unfunded actuarial accrued liability as a level percent of expected payroll to estimate the actuarial accrued liability.

Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan (1)

	2014	2013
District's proportion of the FRS net pension liability	0.075787613%	0.076537304%
District's proportionate share of the FRS net pension liability	$ 4,624,159	$ 13,175,476
District's covered-employee payroll	$ 26,064,275	$ 25,731,488
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	17.74%	51.20%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

Schedule of District Contributions – Florida Retirement System Pension Plan (1)

	2015	2014
Contractually required FRS contribution	$ 1,805,754	$ 1,660,070
FRS contributions in relation to the contractually required contribution	(1,805,754)	(1,660,070)
FRS contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 26,280,184	$ 26,064,275
FRS contributions as a percentage of covered-employee payroll	6.87%	6.37%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan (1)

	2014	2013
District's proportion of the HIS net pension liability	0.097761819%	0.098600354%
District's proportionate share of the HIS net pension liability	$ 9,140,969	$ 8,584,457
District's covered-employee payroll	$ 29,046,596	$ 28,654,158
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.47%	29.96%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

Schedule of District Contributions – Health Insurance Subsidy Pension Plan (1)

	2015	2014
Contractually required HIS contribution	$ 367,024	$ 334,899
HIS contributions in relation to the contractually required contribution	(367,024)	(334,899)
HIS contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 29,138,610	$ 29,046,596
HIS contributions as a percentage of covered-employee payroll	1.26%	1.15%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. 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 transportation 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.

2. Schedule of Funding Progress – Other Postemployment Benefits Plan

The January 1, 2015, unfunded actuarial accrued liability of $5,641,116 was significantly lower than the October 1, 2012, liability of $6,096,078 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 $448 per subscriber per month (as expected for the 2012 plan year) to $519 per subscriber per month for 2015 plan year. This is lower than $546 per employee per month projected for 2015 at the time the prior valuation was performed. This change had an effect of slowing down increases in the costs and liabilities.
- The number of retirees with medical coverage as of the valuation date decreased from 83 in the previous valuation to 60 as of January 1, 2015. The assumed rate of continuing coverage for retirees decreased from 70 percent to 60 percent. These changes had a decreasing effect on the costs and liabilities.

3. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions. As of June 30, 2014, the inflation rate assumption was decreased from 3 percent to 2.6 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

4. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.

Levy County District School Board
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

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:				
Florida Department of Agriculture and Consumer Services:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	14002	$ 826,625.70	$ -
National School Lunch Program	10.555 (2)	14001, 14003	2,005,813.79	-
Total Child Nutrition Cluster			2,832,439.49	-
Florida Department of Education:				
Child Nutrition Discretionary Grants Limited Availability	10.579	022198	72,051.21	-
Total United States Department of Agriculture			2,904,490.70	-
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027 (3)	262, 263	1,447,483.60	1,749.19
Special Education - Preschool Grants	84.173 (4)	267	55,016.06	-
University of South Florida:				
Special Education - Grants to States	84.027 (3)	None	94,774.03	-
Marion County District School Board:				
Special Education - Grants to States	84.027 (3)	None	9,597.67	-
Special Education - Preschool Grants	84.173 (4)	None	1,761.68	-
Total Special Education Cluster			1,608,633.04	1,749.19
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 226	2,062,441.72	-
Career and Technical Education - Basic Grants to States	84.048	161	106,234.43	-
Rural Education	84.358	110	111,091.90	-
English Language Acquisition State Grants	84.365	102	27,183.89	-
Improving Teacher Quality State Grants	84.367	224	256,877.05	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RA111, RG311, RL111	377,690.16	-
Alachua County District School Board:				
Migrant Education State Grant Program	84.011	None	2,833.94	-
Florida Gulf Coast University:				
Special Education - State Personnel Development	84.323	None	19,613.99	-
Total United States Department of Education			4,572,600.12	1,749.19
United States Department of Defense:				
Direct:				
Army Junior Reserve Officer Training Corps	None	N/A	58,716.80	-
Total Expenditures of Federal Awards			$ 7,535,807.62	$ 1,749.19

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 $224,134.47 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: $1,551,855.30.

(4) Special Education – Preschool Grants. Total CFDA No. 84.173 expenditures: $56,777.74.

Sherrill F. Norman, CPA
Auditor General

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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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, 2015, 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 1, 2016, 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 from 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 accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

District's Response to Findings

District's response to the findings identified in our audit is described in the accompanying **MANAGEMENT'S RESPONSE**. District's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 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,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 1, 2016

AUDITOR GENERAL
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Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for the Major Federal Program

We have audited the Levy County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major Federal program for the fiscal year ended June 30, 2015. The District's major Federal program is 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 the District's major Federal program 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 the 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 the major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the 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 its major Federal program for the fiscal year ended June 30, 2015.

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 its major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

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,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 1, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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 program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major program:	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 program:	
CFDA Numbers: 10.553 and 10.555	Name of Federal Program or Cluster: Child Nutrition Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

ADDITIONAL MATTERS

Finding 1: Financial Reporting

The Florida Department of Education (FDOE) provides Public Education Capital Outlay (PECO) funding to school districts and other educational entities. Guidance from the FDOE provides that school districts are authorized to expend PECO Special Facility legislative appropriations on designated projects, and report them as revenue, only for FDOE-approved amounts and purposes (i.e., encumbrance authorizations). In addition, to receive the PECO Special Facility legislative appropriation, school districts must pledge other construction funding, such as ad valorem tax levy funds, which will be received over the next 3 years and must be spent on the designated projects.

Preparation of fund financial statements pursuant to generally accepted accounting principles (GAAP) requires an analysis to determine the major funds and the District is required to report a fund as major when the fund's assets, liabilities, revenues, or expenditures represent at least 10 percent of the total governmental funds for these respective classifications. Separately reporting major funds allows financial statement users to readily identify the District's most significant funds and their related balances and transactions.

Our review of the District's 2014-15 fiscal year annual financial report (AFR), as submitted to the FDOE and presented for audit, disclosed that financial reporting procedures could be enhanced. During the 2014-15 fiscal year, the District received a PECO Special Facilities legislative appropriation of $11,471,709 for the Williston/Middle High School Project. However, in reporting State revenue for this appropriation, District personnel incorrectly reported revenue based on the District's construction-related expenditures and pledged construction funding as of June 30, 2015, instead of the FDOE-approved encumbrance authorization, resulting in an overstatement of the unearned revenue liability account and understatement of State revenues and fund balance by approximately $2.5 million each in the Capital Projects - PECO Fund. In response to our inquiry, District personnel indicated this error occurred because of an oversight.

We extended our audit procedures to determine the adjustments necessary to ensure the Capital Projects - PECO Fund amounts reported on the District's financial statements were properly classified, and District personnel accepted our recommended adjustments. As a result of the adjustments, the reduction of total governmental fund liabilities caused the Debt Service - Other Fund's total liabilities to exceed the 10 percent major fund threshold. Consequently, we recommended, and District personnel accepted, an adjustment to separately identify and report the Debt Service - Other Fund as a major fund. While District personnel accepted our recommended adjustments, our extended audit procedures cannot substitute for management's responsibility to implement adequate controls over financial reporting.

Recommendation. The District should improve its financial reporting procedures to ensure that financial statement account balances and transactions are properly reported.

Finding 2: Financial Condition

In governmental funds, nonspendable, restricted, and committed accounts are used to indicate the portion of fund balance that is limited for specific purposes and not available for general appropriation by the Board, while the total remaining fund balance (i.e., assigned and unassigned fund balance accounts) is designed to serve as a measure of net current financial resources available for general appropriation by the Board. The assigned and unassigned portions of fund balance represent the amounts that may be used with the most flexibility for emergencies and unforeseen situations.

State law[1] requires the District to maintain a General Fund ending fund balance that is sufficient to address normal contingencies. If at any time the portion of the General Fund's total ending fund balance classified as assigned and unassigned fund balance in the District's approved operating budget as a percent of General Fund total revenues (i.e., financial condition ratio) is projected to fall below 3 percent during the fiscal year, the Superintendent must provide written notification to the Board and the FDOE. Further, if at any time the financial condition ratio is projected to fall below 2 percent, the Board should have a reasonable plan to avoid a financial emergency, or the FDOE will appoint a financial emergency board to implement measures to assist the Board in resolving the financial emergency. Also, State law[2] provides that the FDOE may determine whether a district school board needs State assistance to resolve or prevent a financial emergency condition.

During the 2014-15 fiscal year, the District experienced a decline in its financial condition as the General Fund total assigned and unassigned fund balance decreased by $109,779, or 8.3 percent, from $1,326,098 to $1,216,319. In a letter dated September 8, 2015, the Superintendent notified the Board and the FDOE of the District's financial condition and that the decline was due, in part, to the decline in student full-time enrollment (FTE). A summary of the General Fund financial condition ratios and student enrollment for the past 3 fiscal years is shown in Table 1.

Table 1
Financial Condition Ratios and Unweighted FTE
For the Fiscal Years Ended June 30, 2013, Through June 30, 2015

Fiscal Year Ended June 30	Total Assigned and Unassigned Fund Balance (A)	Total General Fund Revenues (B)	Financial Condition Ratio (A)/(B)	Unweighted FTE
2013	$1,252,921	$37,246,859	3.36%	5,626
2014	1,326,098	40,112,575	3.31%	5,624
2015	1,216,319	40,622,425	2.99%	5,384

As noted in Table 1, the financial condition ratio declined to 2.99 percent at June 30, 2015. District personnel indicated that the Board monitors the District's financial condition by monthly comparisons of

[1] Section 1011.051, Florida Statutes.

[2] Section 218.503(3), Florida Statutes.

budget and actual expenditures and that, as of January 31, 2016, the District's financial condition had not significantly changed from the balances reported as of June 30, 2015.

When the financial condition ratio falls below 3 percent, the District has fewer resources available for emergencies and unforeseen situations than other school districts of comparable size. Failure to reverse the decline of the District's financial condition could culminate in the District's inability to meet current fiscal obligations.

Recommendation: The Board and the Superintendent should closely monitor the District's budget and take the necessary actions to ensure that an adequate fund balance is maintained in the General Fund.

Finding 3: Virtual Instruction Program – Written Parent Notifications

State law[3] requires each school district to provide information to parents and students about a student's right and choice to participate in a virtual instruction program (VIP). In addition, State law[4] requires the District to provide parents with timely, written notifications of open enrollment periods for its VIP.

For the 2014-15 school year, the District had 16 full-time and 64 part-time VIP students and District personnel indicated that there were several communication methods used to provide information about the District's VIP to parents and students. According to District personnel, these communication methods included information posted on the District's Web site and a VIP Enrollment Dates flyer provided to students to deliver to parents. While these communication methods demonstrate District efforts to communicate with parents and students about the VIP, District records did not evidence that the District provided written notifications directly to parents of students regarding the VIP and the VIP open enrollment periods.

District personnel indicated that they believed the above communication methods satisfied State law. However, given the low enrollment in the District's VIP, the effectiveness of the parental notification process was not readily apparent. Without direct notifications, timely provided in writing to parents, some parents may not be informed of available VIP options and open enrollment periods, potentially limiting student access to virtual instruction. Such direct notifications could be made in writing by letter or e-mail. A similar finding was noted in our report No. 2015-121.

Recommendation: The District should ensure that parents are timely and directly notified in writing about student opportunities to participate in the District's VIP and open enrollment period dates.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for the findings included in our report No. 2015-121, except as noted in Finding 3.

[3] Section 1002.45(10), Florida Statutes.

[4] Section 1002.45(1)(b), Florida Statutes.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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
2015-121		There were no prior Federal audit findings.		

MANAGEMENT'S RESPONSE

Robert O. Hastings
Superintendent

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P.O. Drawer 129
Bronson, FL 32621-0129

School Board of Levy County
www.levy.k12.fl.us

(352) 486-5231
Fax (352) 486-5237

February 11, 2016

Sherrill F. Norman
Auditor General
111 West Madison Street
Tallahassee, Florida 32302

Dear Ms. Norman,

Here is our response to the preliminary and tentative findings from the audit of the Levy County District School Board for the fiscal year ending June 30, 2015.

Finding no. 1: Financial Reporting

The district will enhance its financial reporting procedures to ensure that financial statements, account balances, and transactions are properly reported.

Finding no. 2: Financial Condition

The Board and the Superintendent will closely monitor the District's General fund budget and take the necessary actions to ensure that an adequate fund balance is maintained.

Finding no. 3: Virtual Instruction Program – Written Parent Notifications

We provided several timely, written notifications to our parents and students informing them about a student's right and choice to participate in a virtual instruction program (VIP). We inform them of the programs and open enrollment periods for the VIP by way of our District webpage, in the District annual "Check it out" publication, and in a VIP notification sent home with each student.

Educators . . . The Guardians of Dreams

We will continue to provide parents and students with timely written notification as required by Florida Statues.

Sincerely,

Robert O. Hastings

Robert O. Hastings, Superintendent