REPORT NO. 2015-118
MARCH 2015

LIBERTY COUNTY
DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2014

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENTS

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

	District No.
Logan Kever	1
Tina Tharpe	2
Darrel Hayes, Vice Chair	3
Kyle Peddie, Chair	4
Roger Reddick	5

Gloria Gay Uzzell, Superintendent to 7-16-13 (1)
Dr. Kathy Nobles, Acting Superintendent from 7-19-13 to 10-2-13
Anthony L. Anderson, Superintendent from 10-3-13

Note:

(1) Former Superintendent suspended by the Governor of Florida on 7-17-13 pursuant to Article IV, Section 7, Florida Constitution. Position remained vacant until filled on 7-19-13.

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

The audit team leader was Nicole W. Ostrowski, CPA, and the audit was supervised by Patricia S. Crutchfield, CPA, CFE. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

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

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a significant deficiency, as summarized below. However, this significant deficiency is not considered to be a material weakness.

SIGNIFICANT DEFICIENCY

Finding No. 1: During the 2013-14 fiscal year, the District's General Fund total assigned and unassigned fund balance declined 59 percent from $879,340.65 at June 30, 2013, to $359,922.88 at June 30, 2014, representing a reduction of $519,417.77. Under these circumstances, the District has less resources for emergencies and unforeseen situations than other school districts of comparable size.

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

ADDITIONAL MATTERS

Finding No. 2: The food service program financial condition could be improved.

Finding No. 3: Controls over terminal leave payments could be enhanced.

Finding No. 4: The District did not timely obtain required background screenings for certain contractor workers.

Finding No. 5: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding No. 6: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

Finding No. 7: District procedures for deactivating contractor information technology access privileges needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Schools and Roads, and Title I programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs, except for the Title I program. The noncompliance and control deficiency finding is summarized below.

Federal Awards Finding No. 2014-001: District procedures did not ensure that all teachers hired to teach core academic subjects in Title I schoolwide schools were highly qualified, resulting in questioned costs totaling $160,026.

Audit Objectives and Scope

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

- **Presented the District's basic financial statements in accordance with generally accepted accounting principles;**

- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2014-125.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2014. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 65 percent of the assets and 94 percent of the liabilities of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the school internal funds is based solely on the report of the other auditors.

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

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 3, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

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

- In total, net position decreased $2,000,554.14, which may be compared to the decrease of $1,830,241.30 in the previous fiscal year.
- General revenues total $13,812,157.64, or 94 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $851,739.79, or 6 percent of all revenues.
- Expenses total $16,664,451.57. Only $851,739.79 of these expenses was offset by program specific charges, with the remainder paid from general revenues.
- During the current fiscal year, General Fund expenditures and other financing uses exceeded revenues and other financing sources by $539,789.17.
- The unassigned fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals $194,366.88 at June 30, 2014, which represents a $281,620.96 decrease from the previous fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

All of the District's activities and services are reported in the government-wide financial statements as governmental activities. The District's governmental activities include instruction, student support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes and State revenues finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities.

Over a period of time, changes in the District's net position are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property tax base and student enrollment.

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 – Food Service Fund, Special Revenue – Federal Economic Stimulus Fund, and Capital Projects – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

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

Notes to Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Position, End of Year

	Governmental Activities	
	6-30-14	6-30-13
Current and Other Assets	$ 604,504.00	$ 1,593,355.09
Capital Assets	27,024,592.67	27,963,135.36
Total Assets	27,629,096.67	29,556,490.45
Long-Term Liabilities	2,022,370.32	1,922,651.15
Other Liabilities	130,857.02	157,415.83
Total Liabilities	2,153,227.34	2,080,066.98
Net Position:		
Net Investment in Capital Assets	26,690,594.27	27,561,155.36
Restricted	310,972.01	528,768.30
Unrestricted Deficit	(1,525,696.95)	(613,500.19)
Total Net Position	$ 25,475,869.33	$ 27,476,423.47

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

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was the result, in part, of accruing $730,304.92 in compensated absences payable and $958,067, in other postemployment benefit obligations.

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

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-14	6-30-13
Program Revenues:		
Charges for Services	$ 199,145.81	$ 388,600.36
Operating Grants and Contributions	606,983.13	587,404.24
Capital Grants and Contributions	45,610.85	193,461.18
General Revenues:		
Property Taxes, Levied for Operational Purposes	1,302,746.31	1,384,809.30
Local Sales Tax	164,439.82	160,390.18
Grants and Contributions Not Restricted to Specific Programs	11,912,921.36	10,972,381.44
Unrestricted Investment Earnings	6,110.40	8,494.79
Miscellaneous	425,939.75	154,970.42
Total Revenues	14,663,897.43	13,850,511.91
Functions/Program Expenses:		
Instruction	8,131,678.12	7,552,852.03
Student Personnel Services	337,333.48	305,943.91
Instructional Media Services	65,562.01	119,216.46
Instruction and Curriculum Development Services	418,228.29	404,917.15
Instructional Staff Training Services	208,443.93	234,562.07
Instruction Related Technology	336,537.88	258,732.26
School Board	296,990.17	306,990.30
General Administration	444,240.13	388,358.90
School Administration	670,235.83	536,038.95
Facilities Acquisition and Construction	307,192.79	109,307.01
Fiscal Services	294,272.99	268,253.18
Food Services	935,274.15	861,851.09
Central Services		93.31
Student Transportation Services	806,905.87	717,125.13
Operation of Plant	1,383,224.70	1,335,887.10
Maintenance of Plant	287,483.87	244,984.33
Administrative Technology Services	392,350.76	435,519.38
Community Services	322,823.83	598,425.96
Unallocated Interest on Long-Term Debt	15,684.93	17,987.93
Unallocated Depreciation Expense	987,655.85	978,861.17
Loss on Disposal of Capital Assets	22,331.99	4,845.59
Total Functions/Program Expenses	16,664,451.57	15,680,753.21
Change in Net Position	(2,000,554.14)	(1,830,241.30)
Net Position - Beginning	27,476,423.47	29,306,664.77
Net Position - Ending	$ 25,475,869.33	$ 27,476,423.47

The largest revenue source is the State of Florida (68 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 increased by $940,539.92, or 9 percent, primarily due to an increase in FEFP funding allocated for instructional salaries.

Instruction expenses represent 49 percent of total governmental expenses in the 2013-14 fiscal year. Instruction expenses increased by $578,826.09, or 8 percent, from the previous fiscal year due mainly to the State funding teacher raises.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

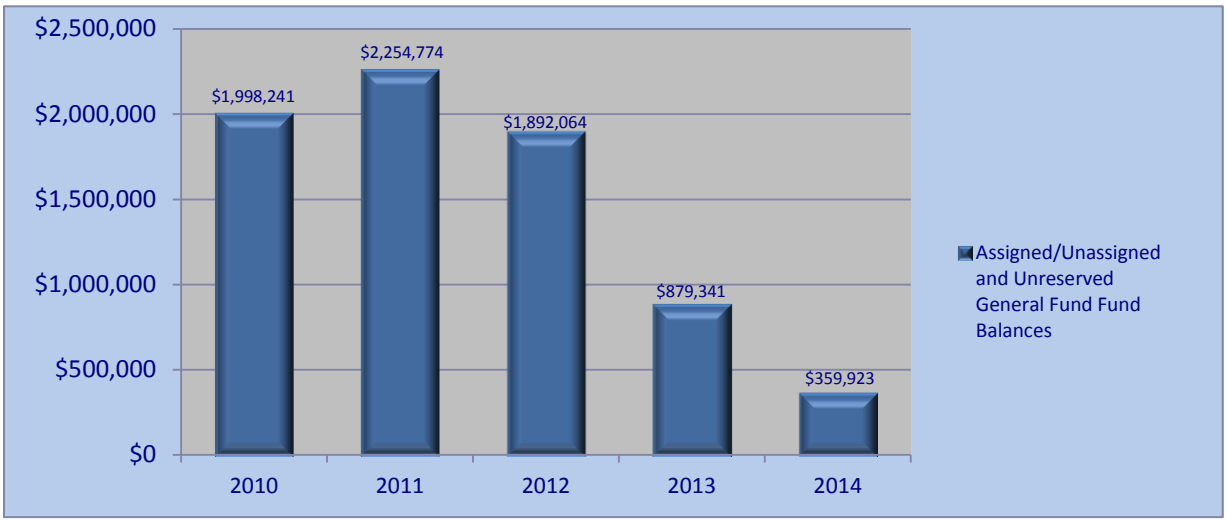
The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds decreased by $962,292.28 during the fiscal year to $473,646.98 at June 30, 2014. The total unassigned fund balance is a deficit $38,804.76. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form ($35,923.73), 2) restricted for particular purposes ($310,972.01), or 3) assigned for particular purposes ($165,556).

Major Governmental Funds

- ***General Fund***. The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is $194,366.88, while the total fund balance is $529,436.71. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is 3 percent of the total General Fund revenues, while total fund balance represents 4 percent of total General Fund revenues.

  The fund balance of the District's General Fund decreased by $539,789.17 during the current fiscal year compared to $1,070,373.13 in the prior fiscal year. Key factors impacting this decrease include an increase in retirement and insurance benefit costs, the addition of three Dean of Instruction positions, and the retention of five positions formerly assigned to the Bristol Youth Academy, which closed in December 2013. The following graph shows the unreserved or assigned and unassigned, as appropriate, General Fund fund balances from the 2009-10 to 2013-14 fiscal years.



- ***Special Revenue – Food Service Fund***. The fund balance of the Special Revenue – Food Service Fund decreased by $226,660.39 to a deficit $207,952.59. In May 2013, the District terminated its food service management contract and assumed administration responsibilities of the food service program (program). However, the program continued to experience operating losses during the 2013-14 fiscal year due to decreased revenues from full-pay students at schools participating in the Community Eligibility Provision Program, an increase in expenditures due to overstaffing, and District personnel inexperienced in monitoring food costs.
- ***Special Revenue – Federal Economic Stimulus Fund***. The Special Revenue – Federal Economic Stimulus Fund has total revenues and expenditures of $100,178.42 each and the funding was mainly used for instruction and administrative technology services. Because grant revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance. Activities in this fund were substantially the same as the prior fiscal year.
- ***Capital Projects – Other Fund***. The fund balance of the Capital Projects – Other Fund increased $54,702.15 to $100,269.38, due in part to fewer ongoing construction projects. The fund is restricted for educational capital outlay needs, including new construction, renovation and remodeling projects, and equipment.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2013-14 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of $486,355.40, or 4 percent. At the same time, final appropriations are more than the original budgeted amounts by $744,562.83. Budget revisions were due primarily to changes in estimated State funding levels and corresponding adjustments to planned expenditures in an effort to maintain adequate fund balance.

Actual revenues and actual expenditures are in line with the final budgeted amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $18,430.10.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2014, is $27,024,592.67 (net of accumulated depreciation). The investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; and motor vehicles. During the 2013-14 fiscal year, there were no significant capital outlay projects in the District. Additional information on the District's capital assets can be found in notes I.F.4 and II.C to the financial statements.

Long-Term Debt

At June 30, 2014, the District has total debt outstanding of $333,998.40, comprised of State school bonds of $150,000 and an installment-purchase payable of $183,998.40. During the current fiscal year, retirement of debt was $67,981.60. Additional information on the District's long-term debt can be found in notes II.G and II.H to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in this report or requests for additional financial information should be addressed to the Director of Finance, Liberty County District School Board, P. O. Box 429, Bristol, FL 32321.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	$ 433,411.61
Investments	14,601.34
Accounts Receivable	63,526.52
Due from Other Agencies	67,745.48
Inventories	25,219.05
Capital Assets:	
Nondepreciable Capital Assets	890,603.83
Depreciable Capital Assets, Net	26,133,988.84
TOTAL ASSETS	27,629,096.67
LIABILITIES	
Payroll Deductions and Withholdings	128,474.20
Deposits Payable	2,382.82
Long-Term Liabilities:	
Portion Due Within One Year	112,865.41
Portion Due After One Year	1,909,504.91
TOTAL LIABILITIES	2,153,227.34
NET POSITION	
Net Investment in Capital Assets	26,690,594.27
Restricted for:	
State Required Carryover Programs	26,032.77
Debt Service	3,896.66
Capital Projects	148,266.20
Workforce Development	132,776.38
Unrestricted	(1,525,696.95)
TOTAL NET POSITION	$ 25,475,869.33

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

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 8,131,678.12	$ 99,874.82	$	$	$ (8,031,803.30)
Student Personnel Services	337,333.48				(337,333.48)
Instructional Media Services	65,562.01				(65,562.01)
Instruction and Curriculum Development Services	418,228.29				(418,228.29)
Instructional Staff Training Services	208,443.93				(208,443.93)
Instruction Related Technology	336,537.88				(336,537.88)
School Board	296,990.17				(296,990.17)
General Administration	444,240.13				(444,240.13)
School Administration	670,235.83				(670,235.83)
Facilities Acquisition and Construction	307,192.79			12,476.07	(294,716.72)
Fiscal Services	294,272.99				(294,272.99)
Food Services	935,274.15	99,270.99	606,983.13		(229,020.03)
Student Transportation Services	806,905.87				(806,905.87)
Operation of Plant	1,383,224.70				(1,383,224.70)
Maintenance of Plant	287,483.87				(287,483.87)
Administrative Technology Services	392,350.76				(392,350.76)
Community Services	322,823.83				(322,823.83)
Unallocated Interest on Long-Term Debt	15,684.93			33,134.78	17,449.85
Unallocated Depreciation Expense*	987,655.85				(987,655.85)
Loss on Disposal of Capital Assets	22,331.99				(22,331.99)
Total Governmental Activities	$ 16,664,451.57	$ 199,145.81	$ 606,983.13	$ 45,610.85	(15,812,711.78)
General Revenues:					
Taxes:					
Property Taxes, Levied for Operational Purposes					1,302,746.31
Local Sales Taxes					164,439.82
Grants and Contributions Not Restricted to Specific Programs					11,912,921.36
Unrestricted Investment Earnings					6,110.40
Miscellaneous					425,939.75
Total General Revenues					13,812,157.64
Change in Net Position					(2,000,554.14)
Net Position - Beginning					27,476,423.47
Net Position - Ending					$ 25,475,869.33

* 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.

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

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Federal Economic Stimulus Fund
ASSETS			
Cash and Cash Equivalents	$ 263,058.98	$ 15,704.19	$
Investments	10,704.68		
Accounts Receivable	63,526.52		
Due from Other Funds	248,844.34		
Due from Other Agencies	60,145.85	7,599.63	
Inventories		25,219.05	
TOTAL ASSETS	$ 646,280.37	$ 48,522.87	$ 0.00
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll Deductions and Withholdings	$ 116,843.66	$ 5,248.30	$
Due to Other Funds		248,844.34	
Deposits Payable		2,382.82	
Total Liabilities	116,843.66	256,475.46	
Fund Balances:			
Nonspendable:			
Inventories		25,219.05	
Other Not in Spendable Form	10,704.68		
Total Nonspendable Fund Balance	10,704.68	25,219.05	
Restricted for:			
State Required Carryover Programs	26,032.77		
Debt Service			
Capital Projects			
Workforce Development	132,776.38		
Total Restricted Fund Balance	158,809.15		
Assigned for:			
2014-15 Budget Shortfall	165,556.00		
Unassigned Fund Balance	194,366.88	(233,171.64)	
Total Fund Balances	529,436.71	(207,952.59)	
TOTAL LIABILITIES AND FUND BALANCES	$ 646,280.37	$ 48,522.87	$ 0.00

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$ 100,269.38	$ 54,379.06	$ 433,411.61
	3,896.66	14,601.34
		63,526.52
		248,844.34
		67,745.48
		25,219.05
$ 100,269.38	$ 58,275.72	$ 853,348.34
$	$ 6,382.24	$ 128,474.20
		248,844.34
		2,382.82
	6,382.24	379,701.36
		25,219.05
		10,704.68
		35,923.73
		26,032.77
	3,896.66	3,896.66
100,269.38	47,996.82	148,266.20
		132,776.38
100,269.38	51,893.48	310,972.01
		165,556.00
		(38,804.76)
100,269.38	51,893.48	473,646.98
$ 100,269.38	$ 58,275.72	$ 853,348.34

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

Total Fund Balances - Governmental Funds		$ 473,646.98
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.		27,024,592.67
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:		
Bonds Payable	$ 150,000.00	
Installment-Purchase Payable	183,998.40	
Compensated Absences Payable	730,304.92	
Other Postemployment Benefits Payable	958,067.00	(2,022,370.32)
Net Position - Governmental Activities		$ 25,475,869.33

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

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

	General Fund	Special Revenue - Food Service Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 48,854.28	$	$
Federal Through State and Local	494,648.27	597,231.13	100,178.42
State	9,958,707.93	9,752.00	
Local:			
Property Taxes	1,302,746.31		
Local Sales Taxes			
Charges for Services - Food Service		99,270.99	
Miscellaneous	523,341.83	2,557.74	
Total Local Revenues	1,826,088.14	101,828.73	
Total Revenues	12,328,298.62	708,811.86	100,178.42
Expenditures			
Current - Education:			
Instruction	7,207,087.24		3,619.89
Student Personnel Services	260,683.22		
Instructional Media Services	63,263.46		
Instruction and Curriculum Development Services	244,828.62		
Instructional Staff Training Services	40,354.19		50,317.70
Instruction Related Technology	330,328.22		
School Board	296,990.17		
General Administration	362,373.04		
School Administration	657,900.37		4,311.49
Facilities Acquisition and Construction	55,070.86		
Fiscal Services	287,746.11		
Food Services	6,079.60	932,749.29	
Student Transportation Services	713,194.25		
Operation of Plant	1,373,838.66		
Maintenance of Plant	283,534.80		
Administrative Technology Services	345,718.25		41,929.34
Community Services	267,157.62		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	1,996.00		
Other Capital Outlay	65,737.53	2,722.96	
Debt Service:			
Principal	42,981.60		
Interest and Fiscal Charges	6,203.21		
Total Expenditures	12,913,067.02	935,472.25	100,178.42
Excess (Deficiency) of Revenues Over Expenditures	(584,768.40)	(226,660.39)	
Other Financing Sources (Uses)			
Transfers In	43,382.11		
Insurance Loss Recoveries	5,924.12		
Transfers Out	(4,327.00)		
Total Other Financing Sources (Uses)	44,979.23		
Net Change in Fund Balances	(539,789.17)	(226,660.39)	
Fund Balances, Beginning	1,069,225.88	18,707.80	
Fund Balances, Ending	$ 529,436.71	$ (207,952.59)	$ 0.00

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$	$	$ 48,854.28
	1,310,474.78	2,502,532.60
	43,110.85	10,011,570.78
		1,302,746.31
164,439.82		164,439.82
		99,270.99
2,534.60	124.36	528,558.53
166,974.42	124.36	2,095,015.65
166,974.42	1,353,709.99	14,657,973.31
	822,287.36	8,032,994.49
	70,491.59	331,174.81
	1,118.76	64,382.22
	168,192.28	413,020.90
	117,570.56	208,242.45
		330,328.22
		296,990.17
	76,190.49	438,563.53
		662,211.86
77,739.27	185,924.66	318,734.79
		287,746.11
		938,828.89
		713,194.25
		1,373,838.66
		283,534.80
		387,647.59
	50,411.73	317,569.35
5,750.00	17,500.00	25,246.00
10,400.00	39,413.60	118,274.09
	25,000.00	67,981.60
	9,481.72	15,684.93
93,889.27	1,583,582.75	15,626,189.71
73,085.15	(229,872.76)	(968,216.40)
3,250.00	22,710.00	69,342.11
		5,924.12
(21,633.00)	(43,382.11)	(69,342.11)
(18,383.00)	(20,672.11)	5,924.12
54,702.15	(250,544.87)	(962,292.28)
45,567.23	302,438.35	1,435,939.26
$ 100,269.38	$ 51,893.48	$ 473,646.98

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

Net Change in Fund Balances - Governmental Funds		$ (962,292.28)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year.		(916,210.70)
The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.		(22,331.99)
Repayment of long-term debt is an expenditures in the governmental funds, but the repayment reduces long-term debt in the statement of net position. This is the amount of long-term debt that was repaid in the current fiscal year.		
Bonds Payable	$ 25,000.00	
Installment-Purchase Payable	42,981.60	67,981.60
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount used in the current fiscal year.		(14,096.77)
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.		(153,604.00)
Change in Net Position - Governmental Activities		$ (2,000,554.14)

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

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

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 106,604.00
LIABILITIES	
Accounts Payable	1,080.00
Internal Accounts Payable	105,524.00
TOTAL LIABILITIES	$ 106,604.00

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

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

B. Reporting Entity

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

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading. Based on these criteria, no component units are included within the District's reporting entity.

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. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

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

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Food Service Fund – to account for the operations of the District's food service program.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Capital Projects – Other Fund – to account for the financial resources generated by the local sales tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and equipment.

Additionally, the District reports the following fiduciary fund type:

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

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

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

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

in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

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

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

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

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus 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 and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

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

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

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

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

3. Inventories

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

4. Capital Assets

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Improvements Other Than Buildings	8 - 35 years
Buildings and Fixed Equipment	15 - 50 years
Furniture, Fixtures, and Equipment	3 - 20 years
Motor Vehicles	5 - 10 years

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

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

5. Long-Term Liabilities

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

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

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

6. Net Position Flow Assumption

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

7. Fund Balance Flow Assumptions

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

8. Fund Balance Policies

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

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

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

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

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

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

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

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

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 Liberty County Property Appraiser, and property taxes are collected by the Liberty County Tax Collector.

The Board adopted the 2013 tax levy on September 10, 2013. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

Property tax revenues are recognized in the government-wide financial statements when the Board adopts the tax levy. Property tax revenues are recognized in the governmental fund financial statements when taxes are received by the District, except that revenue is accrued for taxes collected by the Liberty 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. Capital Outlay Surtax

In August 2011, the voters of Liberty County (County) approved a one-half cent school capital outlay surtax on sales in the County for 10 years, effective January 1, 2012, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

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.

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

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

Cash balances from the capital projects funds are combined and invested to extent available. Earnings are allocated monthly to each capital projects fund based on average daily balances.

B. Investments

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

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	40 Day Average	$ 46,272.72
Fund B	2.86 Year Average	10,704.68
Debt Service Accounts	6 Months	3,896.66
Total Investments		$ 60,874.06

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 limits the length of investments as follows: (1) investments of current operating funds shall have maturities of no longer than two years, and (2) investments of bond reserves, construction funds, and other nonoperating funds shall have a term appropriate for the need for the funds and in accordance with debt covenants, but in no event shall exceed five years.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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- Credit Risk

  Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits investments to the SBA's Florida PRIME; United States Government securities; direct obligations of United States Government agencies; certain Federal Instrumentalities; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; repurchase agreements secured by the collateral composed of negotiable direct obligations of the United States Government, United States Government agencies, and Federal Instrumentalities that have a market value of 102 percent of the value of the repurchase agreement; commercial paper of the highest credit rating; certain banker's acceptances; certain highly rated State and local government taxable or tax-exempt debt; shares of open-end, no-load mutual funds provided such funds are registered under the Investment Company Act of 1940 and operated in accordance with Title 17, Section 270.2a-7, Code of Federal Regulations, and provided the mutual fund is rated AAm or AAm-G or better by Standard & Poor's, or the equivalent by another rating agency; and any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes, provided that said funds contain no derivatives.

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

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

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

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JUNE 30, 2014

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 890,603.83	$	$	$ 890,603.83
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,925,923.97	17,500.00		1,943,423.97
Buildings and Fixed Equipment	33,441,274.65			33,441,274.65
Furniture, Fixtures, and Equipment	2,697,870.58	137,562.09	238,509.03	2,596,923.64
Motor Vehicles	1,743,415.89		35,073.72	1,708,342.17
Total Capital Assets Being Depreciated	39,808,485.09	155,062.09	273,582.75	39,689,964.43
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,233,483.35	44,999.09		1,278,482.44
Buildings and Fixed Equipment	8,487,895.97	637,418.30		9,125,314.27
Furniture, Fixtures, and Equipment	1,827,908.53	305,238.46	219,085.04	1,914,061.95
Motor Vehicles	1,186,665.71	83,616.94	32,165.72	1,238,116.93
Total Accumulated Depreciation	12,735,953.56	1,071,272.79	251,250.76	13,555,975.59
Total Capital Assets Being Depreciated, Net	27,072,531.53	(916,210.70)	22,331.99	26,133,988.84
Governmental Activities Capital Assets, Net	$ 27,963,135.36	$ (916,210.70)	$ 22,331.99	$ 27,024,592.67

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	$ 83,616.94
Unallocated	987,655.85
Total Depreciation Expense - Governmental Activities	$ 1,071,272.79

D. Florida Retirement System

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

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other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

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

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

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

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

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

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

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled $513,101.51, $584,995.50, and $820,146.20, respectively, which were equal to the required contributions for each fiscal year.

There were 10 District participants in the Investment Plan during the 2013-14 fiscal year. The District's contributions including employee contributions to the Investment Plan totaled $38,773.69, which was equal to the required contribution for the 2013-14 fiscal year.

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

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. Additionally, certain retirees receive

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JUNE 30, 2014

insurance coverage at a lower (explicitly subsidized) premium rate than active employees. The amount of contributions required for retiree dependent coverage may change from time to time. Currently, the Board contributes $2 per year of service for each retiree toward their monthly insurance premium with a maximum of $60. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 19 retirees received other postemployment benefits. The District's contribution to the OPEB obligation is the implicit subsidy for the retirees, which was $87,671. The OPEB Plan members receiving benefits contributed $126,390, through their required contributions ranging from $366 to $514 per month for retiree-only coverage and from $765 to $1,073 for retiree and spouse coverage, depending on the health plan selected.

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 one year)	$121,679
Amortization of Unfunded Actuarial Accrued Liability	120,370
Annual Required Contribution	242,049
Interest on Net OPEB Obligation	30,167
Adjustment to Annual Required Contribution	(30,941)
Annual OPEB Cost (Expense)	241,275
Contribution Toward the OPEB Cost	(87,671)
Change in Net OPEB Obligation	153,604
Net OPEB Obligation, Beginning of Year	804,463
Net OPEB Obligation, End of Year	$958,067

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	$ 227,778	27.87%	$ 641,932
2012-13	232,067	29.96%	804,463
2013-14	241,275	36.34%	958,067

Funded Status and Funding Progress. As of October 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was $2,961,440, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $2,961,440 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $5,195,373, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 57 percent.

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

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

The District's OPEB actuarial valuation as of October 1, 2012, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2014, and the District's 2013-14 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.75 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 3.75 percent per year, projected salary increases of 4 to 8.25 percent, and an annual healthcare cost trend rate of 8.5 percent beginning October 1, 2013, reduced to an ultimate rate of 5.46 percent beginning October 1, 2029. The investment rate of return and projected salary increase rates include a general price inflation of 3 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

projected payroll on a closed basis over a 30-year period. The remaining amortization period at June 30, 2014, was 25 years.

F. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Liberty County District School Board is a member of the Panhandle Area Educational Consortium - Risk Management 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, employee dishonesty, equipment breakdown, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Washington County District School Board serves as fiscal agent for the Consortium.

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

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

G. Installment-Purchase Payable

The class and amount of property being acquired under installment-purchase is as follows:

	Asset Balance
Motor Vehicles	$ 318,003

Future minimum installment-purchase payments and the present value of the minimum installment-purchase payments as of June 30 are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2015	$ 49,184.81	$ 44,156.25	$ 5,028.56
2016	49,184.81	45,363.02	3,821.79
2017	49,184.81	46,602.76	2,582.05
2018	49,184.81	47,876.37	1,308.44
Total Minimum Installment-Purchase Payments	$ 196,739.24	$ 183,998.40	$ 12,740.84

The imputed interest rate is 2.733 percent.

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

H. Long-Term Liabilities

1. Bonds Payable

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A, Refunding	$ 15,000	5	2016
Series 2005B, Refunding	45,000	5	2018
Series 2009A, Refunding	90,000	5	2019
Total Bonds Payable	$ 150,000		

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2015	$ 37,500	$ 30,000	$ 7,500
2016	31,000	25,000	6,000
2017	34,750	30,000	4,750
2018	38,250	35,000	3,250
2019	31,500	30,000	1,500
Total State School Bonds	$ 173,000	$ 150,000	$ 23,000

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

2. 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					
Bonds Payable	$ 175,000.00	$	$ 25,000.00	$ 150,000.00	$ 30,000.00
Installment-Purchase Payable	226,980.00		42,981.60	183,998.40	44,156.25
Compensated Absences Payable	716,208.15	64,056.50	49,959.73	730,304.92	38,709.16
Other Postemployment Benefits Payable	804,463.00	241,275.00	87,671.00	958,067.00	
Total Governmental Activities	$ 1,922,651.15	$ 305,331.50	$ 205,612.33	$ 2,022,370.32	$ 112,865.41

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

I. Fund Balance Reporting

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

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

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

J. Interfund Receivables and Payables

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

Funds	Interfund Receivables	Interfund Payables
Major:		
General	$ 248,844.34	$
Special Revenue:		
Food Service		248,844.34
Total	$ 248,844.34	$ 248,844.34

These interfund amounts represent Special Revenue – Food Service amounts owed to the General Fund for reimbursement of expenditures. The balances are expected to be paid in one year.

K. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

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

Source	Amount
Florida Education Finance Program	$ 7,984,361.00
Categorical Educational Program - Class Size Reduction	1,341,180.00
Voluntary Prekindergarten Program	148,681.35
Workforce Development Program	118,917.00
School Recognition	66,879.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	33,788.09
State Forrest Funds	17,536.51
Discretionary Lottery Funds	13,935.00
Miscellaneous	286,292.83
Total	$ 10,011,570.78

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

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

2. Property Taxes

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

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.301	$ 1,176,261.33
Prior Period Funding Adjustment	0.053	11,760.39
Basic Discretionary Local Effort	0.748	165,976.89
Total	6.102	$ 1,353,998.61

L. Interfund Transfers

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	$ 43,382.11	$ 4,327.00
Capital Projects - Other Fund	3,250.00	21,633.00
Nonmajor Governmental	22,710.00	43,382.11
Total	$ 69,342.11	$ 69,342.11

Transfers to the General Fund were for reimbursement of property and casualty insurance premiums. Transfers from the Capital Projects – Other Fund to a nonmajor capital projects fund were to restore questioned costs.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 60,000.00	$ 60,000.00	$ 48,854.28	$ (11,145.72)
Federal Through State and Local	430,000.00	518,796.18	494,648.27	(24,147.91)
State	9,586,522.00	9,984,079.22	9,958,707.93	(25,371.29)
Local:				
Property Taxes	1,296,025.00	1,296,025.00	1,302,746.31	6,721.31
Charges for Services - Food Service				
Miscellaneous	392,605.00	392,607.00	523,341.83	130,734.83
Total Local Revenues	1,688,630.00	1,688,632.00	1,826,088.14	137,456.14
Total Revenues	11,765,152.00	12,251,507.40	12,328,298.62	76,791.22
Expenditures				
Current - Education:				
Instruction	6,717,092.94	7,207,087.24	7,207,087.24	
Student Personnel Services	147,644.51	260,683.22	260,683.22	
Instructional Media Services	93,604.06	63,263.46	63,263.46	
Instruction and Curriculum Development Services	342,888.79	244,828.62	244,828.62	
Instructional Staff Training Services	23,172.87	40,354.19	40,354.19	
Instruction Related Technology	201,549.56	330,328.22	330,328.22	
School Board	218,941.14	296,990.17	296,990.17	
General Administration	322,768.87	362,373.04	362,373.04	
School Administration	872,742.74	657,900.99	657,900.37	0.62
Facilities Acquisition and Construction	54,750.00	55,070.86	55,070.86	
Fiscal Services	228,654.37	287,746.11	287,746.11	
Food Services		6,079.60	6,079.60	
Student Transportation Services	683,518.57	713,194.25	713,194.25	
Operation of Plant	1,413,866.62	1,373,838.66	1,373,838.66	
Maintenance of Plant	218,635.33	283,534.80	283,534.80	
Administrative Technology Services	256,510.11	345,718.25	345,718.25	
Community Services	322,979.52	267,157.62	267,157.62	
Fixed Capital Outlay:				
Facilities Acquisition and Construction		1,996.00	1,996.00	
Other Capital Outlay		65,737.53	65,737.53	
Debt Service:				
Principal	42,981.60	42,981.60	42,981.60	
Interest and Fiscal Charges	6,203.21	6,203.21	6,203.21	
Total Expenditures	12,168,504.81	12,913,067.64	12,913,067.02	0.62
Deficiency of Revenues Over Expenditures	(403,352.81)	(661,560.24)	(584,768.40)	76,791.84
Other Financing Sources (Uses)				
Transfers In	170,000.00	170,000.00	43,382.11	(126,617.89)
Insurance Loss Recoveries			5,924.12	5,924.12
Transfers Out	(60,000.00)	(66,659.03)	(4,327.00)	62,332.03
Total Other Financing Sources (Uses)	110,000.00	103,340.97	44,979.23	(58,361.74)
Net Change in Fund Balances	(293,352.81)	(558,219.27)	(539,789.17)	18,430.10
Fund Balances, Beginning	1,069,225.88	1,069,225.88	1,069,225.88	
Fund Balances, Ending	$ 775,873.07	$ 511,006.61	$ 529,436.71	$ 18,430.10

Special Revenue - Food Service Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$	$	$	$	$	$	$	$
550,000.00	550,000.00	597,231.13	47,231.13	105,089.89	107,717.00	100,178.42	(7,538.58)
11,000.00	11,000.00	9,752.00	(1,248.00)				
200,000.00	200,000.00	99,270.99	(100,729.01)				
		2,557.74	2,557.74				
200,000.00	200,000.00	101,828.73	(98,171.27)				
761,000.00	761,000.00	708,811.86	(52,188.14)	105,089.89	107,717.00	100,178.42	(7,538.58)
				38,865.89	8,919.89	3,619.89	5,300.00
				28,813.74	50,684.16	50,317.70	366.46
				7,537.00	6,166.40	4,311.49	1,854.91
761,000.00	932,749.29	932,749.29					
				4,901.05			
				24,972.21	41,946.55	41,929.34	17.21
	2,722.96	2,722.96					
761,000.00	935,472.25	935,472.25		105,089.89	107,717.00	100,178.42	7,538.58
	(174,472.25)	(226,660.39)	(52,188.14)				
50,000.00	50,000.00		(50,000.00)				
(50,000.00)							
	50,000.00		(50,000.00)				
	(124,472.25)	(226,660.39)	(102,188.14)				
18,707.80	18,707.80	18,707.80					
$ 18,707.80	$ (105,764.45)	$ (207,952.59)	$ (102,188.14)	$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
October 1, 2007	$ 0	$ 3,079,886	$ 3,079,886	0%	$ 4,537,459	67.88%
October 1, 2010	0	2,560,739	2,560,739	0%	4,414,868	58.00%
October 1, 2012	0	2,961,440	2,961,440	0%	5,195,373	57.00%

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

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

I. BUDGETARY BASIS OF ACCOUNTING

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

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

II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The October 1, 2012, unfunded actuarial accrued liability of $2,961,440, was significantly higher than the October 1, 2010, liability of $2,560,739, as a result of benefit changes and other changes in liabilities and costs as discussed below:

- The number of retirees currently receiving postemployment health benefits through the District's core plan increased from 13 in the October 1, 2010, valuation to 19 in the October 1, 2012, valuation, increasing the cost and liability. At the same time, the number of active employees eligible for future postemployment benefits increased from 122 in the October 1, 2010, valuation to 142 in the October 1, 2012, valuation, increasing the cost and liability.
- The total cost of coverage decreased from $560 per employee per month (as expected for the year beginning October 1, 2010) to $543 per employee per month for the year beginning October 1, 2012. This is lower than the projected $663 per employee per month, decreasing the cost and liability.
- Revisions were made in the assumed trend of Medical/Rx cost increases. In the October 1, 2010, valuation, it was assumed the trend costs and premiums would be 8 percent for the year beginning October 1, 2013, reduced to 7.5 percent in the following year with subsequent trend rates decreasing 0.5 percent each year thereafter to the ultimate value of 5 percent. Revisions were made to trend rates for costs and premiums charged to retirees beginning October 1, 2013, to be 8.5 percent higher for costs and premiums than for the year beginning October 1, 2012. A similar pattern was then followed: 8 percent for costs and premiums for the year beginning October 1, 2014, and decreasing 0.5 percent each subsequent year until reaching the ultimate rate of 5 percent, increasing the cost and liability.
- The District Plan is not projected to be assessed the Excise Tax on High-Cost Employer Health Plans until at least plan year 2029. It is estimated that absent any plan changes, this will result in a 0.46 percent increase in the cost of coverage for the plan year 2029 and all subsequent years, in addition to 5 percent medical inflation assumed for each year for a total increase of 5.46 percent over the previous plan year. This change increased the cost and liability.
- Revisions were made to certain demographic assumptions to reflect changes made to the Florida Retirement System for its July 1, 2011, actuarial valuation, increasing the cost and liability.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	13002	$ 153,263.95	$
National School Lunch Program	10.555 (2)	13001, 13003	425,555.06	
Summer Food Service Program for Children	10.559	323, 325, 13006, 13007	17,277.75	
Total Child Nutrition Cluster			596,096.76	
Florida Department of Health:				
Child and Adult Care Food Program	10.558	I-1765	1,134.37	
Florida Department of Financial Services:				
Schools and Roads - Grants to States	10.665	None	312,414.01	
Total United States Department of Agriculture			909,645.14	
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	457,912.78	
Special Education - Preschool Grants	84.173	267	20,938.96	
Total Special Education Cluster			478,851.74	
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	42,867.17	
Title I Grants to Local Educational Agencies	84.010	212, 223	510,874.97	20,000.00
Career and Technical Education - Basic Grants to States	84.048	161	105,177.00	63,369.56
Twenty-First Century Community Learning Centers	84.287	244	51,924.08	
Rural Education	84.358	110	41,683.60	
Improving Teacher Quality State Grants	84.367	224	79,096.22	
ARRA - State Fiscal Stabilization Fund (SFSF) -				
Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111, RD211, RG311, RG411	100,178.42	
Total United States Department of Education			1,410,653.20	83,369.56
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	48,854.28	
Total Expenditures of Federal Awards			$ 2,369,152.62	$ 83,369.56

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 $38,226.52 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, 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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Liberty County District School Board, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 3, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, therefore, material weaknesses and significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding No. 1, that we consider to be a significant deficiency.

Compliance and Other Matters

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

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

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

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 3, 2015

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on Title I

As described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, the District did not comply with requirements regarding CFDA No. 84.010 Title I as described in Federal Awards Finding No. 2014-001 for Special Tests and Provisions – Highly Qualified Teachers. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on Title I

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Title I for the fiscal year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** for the fiscal year ended June 30, 2014.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 2014-001 to be a material weakness.

Management's Response

Management's response to the findings identified in our audit is included in Exhibit A. Management's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 3, 2015

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major programs:	Unmodified for all programs, except for Title I (CFDA 84.010), which was qualified.
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
10.665	Schools and Roads
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

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

SIGNIFICANT DEFICIENCY

Finding No. 1: Financial Condition and Financial Reporting

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 assigned and unassigned fund balance accounts are designed to serve as a measure of net current financial resources available for general appropriation by the Board. The assigned and unassigned portions represent amounts to be used with the most flexibility for emergencies and unforeseen situations.

Section 1011.051, Florida Statutes, requires that the District 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 ending fund balance not classified as restricted, committed, or nonspendable (i.e., the total assigned and unassigned fund balances) in the District's approved operating budget as a percent of General Fund total revenue (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 Florida Department of Education (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, Section 218.503(3), Florida Statutes, provides for the FDOE to determine whether a school board needs State assistance to resolve or prevent a financial emergency condition.

During the 2013-14 fiscal year, the District's General Fund total assigned and unassigned fund balance declined 59 percent from $879,340.65 at June 30, 2013, to $359,922.88 at June 30, 2014, representing a reduction of $519,417.77. District personnel indicated that the decline in the fund balance occurred from increased retirement and insurance benefit costs, three new Dean of Instruction positions, and retention of five positions after closing the Bristol Youth Academy. A summary of the General Fund financial condition ratios for the past three fiscal years is shown below:

Fiscal Year Ended June 30	Total Assigned and Unassigned Fund Balance (A)	Total General Fund Revenues (B)	Financial Condition Ratio (A)/(B)
2012	$ 1,892,064.30	$ 10,781,691.57	17.55%
2013	879,340.65	10,929,090.82	8.05%
2014	359,922.88	12,328,298.62	2.92%

The District had originally reported in its annual financial report a fund balance amount that represented a 3.30 percent financial condition ratio. However, audit adjustments to reduce fund balance by $46,284 were accepted by District personnel resulting in a financial condition ratio of 2.92 percent. On February 23, 2015, the

Superintendent, pursuant to Section 1011.051, Florida Statutes, provided the required written financial condition notification to the FDOE.

Also, as noted in Finding No. 2, it may be necessary to use General Fund moneys to restore the Special Revenue - Food Service Fund to a positive fund balance, further reducing the fund balance of the General Fund. In these circumstances, the District has less resources available for emergencies and unforeseen situations than other school districts of comparable size. In an effort to improve the financial condition of the General Fund for the 2014-15 fiscal year, the District reduced salaries for custodial personnel, reduced staffing Districtwide through attrition, and established a budget committee comprised of administrative, instructional, and support personnel.

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

ADDITIONAL MATTERS

Finding No. 2: Food Service Program Financial Condition

The District operates a food service program at each District school that provides meals to participating students and staff. The program, accounted for in the Special Revenue – Food Service Fund (Fund), generates revenue from the sale of food and from Federal reimbursements and State supplements. The program's primary operating expenditures include salaries and benefits and purchased food and supplies. The financial condition of the District's food service program is significantly impacted by these costs and the prices charged for meals served. Also, the District participates in the Community Eligibility Provision Program, which provides free meals to all students at eligible schools.

The food service program experienced increasing operating losses over the past four fiscal years, requiring assistance from unrestricted General Fund transfers. The program's financial activities, including transfers from the General Fund, and ending fund balances for the 2009-10 through 2013-14 fiscal years, are summarized in the table below:

Fiscal Year Ended June 30	Revenues	Expenditures	Operating Gains/(Losses)	Transfers from General Fund	Restricted/ (Unassigned) Ending Fund Balance	Nonspendable Ending Fund Balance	Total Ending Fund Balance
2010	$ 773,340.25	$ 726,518.66	$ 46,821.59	$	$ 11,334.95	$ 35,486.64	$ 46,821.59
2011	799,650.54	829,732.90	(30,082.36)	40,267.71	33,335.71	23,671.23	57,006.94
2012	815,386.58	863,760.48	(48,373.90)		(5,047.72)	13,680.76	8,633.04
2013	735,514.72	875,439.96	(139,925.24)	150,000.00	(11,063.84)	29,771.64	18,707.80
2014	708,811.86	935,472.25	(226,660.39)		(233,171.64)	25,219.05	(207,952.59)

In May 2013, the District terminated its food service management contract and assumed administrative responsibilities of the program. However, the program continued to experience operating losses during the 2013-14 fiscal year due to decreased revenues from full-pay students at schools participating in the Community Eligibility Provision Program, an increase in expenditures due to overstaffing, and District personnel inexperienced in monitoring food costs.

In an effort to improve the financial condition of the program, the District implemented procedures in August 2014 by enhanced food cost monitoring, reducing staff levels through attrition, and increasing commodity use. Also, in September 2014, District personnel began a year long food service director training program, provided by the Florida

Department of Agriculture and Consumer Services, that addressed the free and reduced price meal verification process, increasing food service participation, monitoring food costs, and other procedures. Continued use of unrestricted General Fund resources to subsidize the school food service program reduces funds available for the District's other educational programs. A similar finding was noted in our report No. 2014-125.

Recommendation: The District should continue its efforts to improve the school food service program's financial condition.

Finding No. 3: Terminal Leave Payments

Section 1012.61(2)(a)4., Florida Statutes, governs terminal pay for accumulated sick leave to instructional staff and educational support employees upon retirement. Section 1012.65, Florida Statutes, governs terminal pay for accumulated vacation leave paid to employees upon termination of employment. Board policies provide that 12-month regular or full-time employees are entitled to a lump-sum payment for accrued vacation leave not to exceed 30 days upon employment termination of employment.

During the 2013-14 fiscal year, the District made payments totaling $35,231.28 for accumulated sick leave to five employees and payments totaling $11,463.22 for accumulated vacation leave to four employees. We tested the payments totaling $46,694.50 and noted net overpayments totaling $1,778.20 for these employees, as follows:

- In June 2012, the District paid $3,045.60 to a former employee upon retirement for 30 days of accumulated vacation leave pursuant to Board policy. Because District personnel misrepresented to the former employee that the former employee was entitled to payment for the remainder of the vacation leave balance, the District paid an additional $1,675.58 to the former employee in September 2013 to resolve the misunderstanding. However, this payment was contrary to Board policy, resulting in an overpayment of $1,675.58 to the former employee.
- For an accumulated vacation leave payment to another employee, the District calculated the payment using an incorrect leave balance resulting in an underpayment of $353.92. Also, one employee with less than 12 months of service terminated employment and received $456.54 in accumulated vacation leave, contrary to Board policy. Subsequent to our inquiries, in September 2014, the District paid the employee for the $353.92 underpayment and requested reimbursement of the $456.54 overpayment from the other employee.

Without proper controls to ensure the accuracy of terminal payments for accumulated sick and vacation leave, the risk is increased that errors or fraud could occur without timely detection. A similar finding was noted in our report No. 2014-125.

Recommendation: The District should enhance its procedures to ensure terminal pay is consistent with Board policies.

Finding No. 4: Background Screenings

Sections 1012.465 and 1012.467, Florida Statutes, provide that instructional and noninstructional contractors who are permitted access to school grounds when students are present or who have direct contact with students must undergo certain background screenings at least every five years. Also, Section 1012.468, Florida Statutes, provides exceptions to background screenings for noninstructional contractors who are under the direct supervision of District personnel or who have met the screening requirements.

District procedures generally require contractor workers who have access to school grounds to undergo background screenings every five years and the District issues badges for the workers to wear that identify the screening dates.

Our test of 11 contractor workers disclosed 2 instructional contractor workers had not obtained background screenings and 1 instructional contractor worker had not obtained a background screening within the last five years, contrary to law. Also, District records indicated that the background screening was untimely for another contractor worker as the screening was performed 10 months after the worker first provided District services. Subsequent to our inquiry, the District obtained the required screenings for the two instructional contractor workers and obtained a letter from another agency that indicated the required screening had been performed for the instructional contractor worker.

Absent timely background screenings, there is an increased risk that contractor workers with unsuitable backgrounds may be allowed access to students.

Recommendation: The District should ensure that required background screenings are timely performed for all contractor workers.

Finding No. 5: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and proviso language in Chapter 2013-40, Laws of Florida, Specific Appropriation 117, required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the FDOE instructional hours reporting procedures.

FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures also provided that school districts develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance. In the event that a student enrolls, withdraws, and later reenrolls in the same course within the same reporting timeframe, the procedures specify that hours should be calculated from the original enrollment date through the final withdrawal date or the end of the reporting timeframe, whichever is sooner.

For the 2013-14 fiscal year, the District reported to the FDOE 15,124 instructional contact hours for 81 students enrolled in 142 adult general education classes. We randomly selected a representative sample of 3,818 hours reported for 16 students enrolled in 32 adult general education classes to test the accuracy of the District's reporting procedures. Our test disclosed 445 hours over-reported for 8 students in 14 classes. Factors contributing to the reporting errors were an error implementing a program change and an improper course classification. Given the number of errors, the full extent of the class hours over-reported was not readily available.

Since future funding may be based, in part, on enrollment data reported to the FDOE, it is important that the District reports data correctly. Similar findings were noted in our report Nos. 2013-146 and 2014-125.

Recommendation: The District should strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. The District should also determine the extent of adult general hours over-reported and contact the FDOE for proper resolution.

Finding No. 6: Purchasing Procedures

Board-adopted policies prohibit conflicts of interest and the District had certain procedures to reduce the risk of contractual relationships that cause conflicts of interest. For example, due to the relatively small size of the District, the Superintendent reviews and approve all purchase orders issued and signs every check written by the District. Also, the Superintendent, Board members, and Director of Finance were required to file statements of financial interests pursuant to Section 112.3145, Florida Statutes. While the statements of financial interests were filed as required, these statements were not provided to personnel responsible for procurement decisions for review.

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

Recommendation: The District should strengthen its procedures to provide for routine review of required statement of financial interests by personnel responsible for making procurement decisions.

Finding No. 7: Information Technology – Timely Deactivation of Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees and contractors access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees and contractors from performing incompatible functions or functions inconsistent with their assigned job responsibilities. Effective management of IT access privileges includes timely deactivation of IT access privileges when an employee or contractor is terminated. Periodic reviews of assigned access privileges and application profiles are necessary to ensure that employees or contractors can only access IT resources that are necessary to perform their job responsibilities and to detect any former employee or contractor access privileges that were inadvertently not removed.

Our review of ten individuals with security software access to the District's application systems, datasets, and programs disclosed that a former contractor's access privileges were not deactivated following the contract's end in September 2013 because District personnel did not perform periodic reviews of assigned access privileges. In response to our inquiry in September 2014, the District deactivated the former contractor's access privileges. When access privileges of former contractors are not timely deactivated, the risk is increased that the access privileges may be misused by the former contractors or others. A similar finding was noted in our report No. 2014-125.

Recommendation: The District should enhance procedures to ensure that access privileges of former contractors are timely deactivated. In addition, the District should implement procedures to periodically review user access privileges.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 2014-001:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Title I Grants to Local Educational Agencies (CFDA No. 84.010)
Finding Type: Material Noncompliance and Material Weakness
Questioned Costs: $160,026

Special Tests and Provisions – Highly Qualified Teachers. Title 34, Section 200.55, Code of Federal Regulations (CFR), requires that the District ensure that teachers who teach core academic subjects in a program supported with Title I funds, such as a Title I schoolwide program, be highly qualified (HQ). Title 34, Section 200.56, CFR, stipulates, among other things, that a teacher must be certified in each core academic subject assigned, generally through State testing or additional coursework, to be HQ.

For the 2013-14 fiscal year, the District's three Title I schoolwide program schools had 97 teachers. Our test of 16 of these teachers disclosed that 9 teachers paid $413,000 from resources other than the Title I program did not meet the requirements to be HQ for at least one of the core academic subjects they were teaching, including 1 teacher who lacked a teaching certificate. Although the District used non-Title I program resources in the Title I schoolwide program, use of such resources did not exempt the District from compliance with the Title I program requirements.

District personnel indicated that it was difficult to properly fill these teaching positions due to the limited number of HQ teachers in the county. The District assisted 2 of the 9 teachers in meeting the HQ status by reimbursing them for subject area exams and paying for professional development and 1 of the teachers became HQ in July 2014 and the other terminated employment. Also, 3 of the remaining teachers who were not HQ were reassigned during the 2014-15 fiscal year and the teacher without the teaching certificate obtained the required certificate in July 2014. However, as of February 2015, no efforts had been made to ensure that the remaining three teachers achieved the HQ status. As such, the salaries and benefits for these three teachers totaling $160,026 represent questioned costs for noncompliance with the Title I program requirements. Having highly qualified staff enhances the District's ability to provide the necessary education services to Title I program students and contributes toward meeting the adequately yearly progress standards set by the United States Department of Education.

Professional auditing standards require that when an auditee does not comply, in all material respects, with a compliance requirement that could have a direct and material effect on one of its major Federal programs, appropriate disclosures (modifications) should be made in the auditor's report. As the District did not comply with the requirements regarding Special Tests and Provisions applicable to the Title I program, our report on the District's compliance with this requirement includes a modification to that effect.

Recommendation: The District should enhance procedures to ensure that all teachers working in Title I schoolwide program schools are highly qualified. Such procedures should include a determination of whether each teacher had attained the highly qualified status. Also, the District should document to the grantor (FDOE) the allowability of the $160,026 of questioned costs or ensure that teachers of the Title I program are highly qualified as required.

District Contact Person: Gay Lewis, Director of Instruction and ESE

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2014-125, except as shown in the following table:

Current Fiscal Year Finding Numbers	2012-13 Fiscal Year Audit Report and Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers
2	Audit Report No. 2014-125, Finding No. 8	NA
3	Audit Report No. 2014-125, Finding No. 10	NA
5	Audit Report No. 2014-125, Finding No. 14	Audit Report No. 2013-146, Finding No. 6
7	Audit Report No. 2014-125, Finding No. 17	NA

NA – Not Applicable (Note: Above chart limits recurring findings to two previous audit reports.)

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2014-125 (1)	Schools and Roads - Grants to States (CFDA No. 10.665) - Activities Allowed, Allowable Costs/Cost Principles, and Earmarking	The District remitted earmarked funds for the Schools and Roads grant program to the Sheriff, instead of the Board of County Commissioners (BCC), resulting in questioned costs of $24,643.	Partially corrected.	The District remitted the 2013-14 fiscal year earmarked funds to the BCC; however, final resolution of questioned costs rests with the Florida Department of Financial Services and remains unresolved.
2014-125 (2)	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559) - Allowable Costs/Cost Principles	Required documentation to support certain personnel charges to Child Nutrition Cluster programs was not maintained, resulting in $12,618 of questioned costs.	Corrected.	The grantor instructed the District to restore questioned costs to the Child Nutrition Cluster program. During the 2012-13 fiscal year, the District transferred $150,000 from the General Fund to the Special Revenue Fund - Food Service which, in effect, restored the questioned costs to the program.

EXHIBIT A
MANAGEMENT'S RESPONSE

LIBERTY COUNTY SCHOOL DISTRICT

David H. Summers **Superintendent**

Post Office Box 429
12926 NW CR 12
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February 26, 2015

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

Dear Mr. Martin:

Pursuant to the provisions of Section 11.45(4)(d), Florida Statues, I am responding to the findings cited in the audit of Liberty County School Board for the fiscal year ending June 30, 2014.

I would like to thank the members of your staff who conducted the audit for the efficient and courteous manner in which they did their job.

Our responses are as follows:

Finding No. 1: Financial Condition and Financial Reporting

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

Finding No. 2: Food Service Program Financial Condition

2. The District agrees with this finding and will continue its efforts to improve the school food service program's financial condition.

Finding No.3: Terminal Leave Payments

3. The District agrees with this finding and has enhanced its procedures to ensure terminal pay is consistent with Board policies.

District I Logan E. Kever | District II Tina Tharpe | District III Darrel L. Hayes | District IV B. Kyle Peddie | District V Roger W. Reddick

An Equal Opportunity Employer / Drug Free Workplace

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No.4: Background Screenings

4. The District will ensure that required background screenings are timely performed for all contractor workers.

Finding No.5: Adult General Education Classes

5. The District will enhance controls to ensure accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education (FDOE). The District will determine the extent of adult general hours over-reported and contact the FDOE for proper resolution.

Finding No.6: Purchasing Procedures

6. The District has strengthened its procedures to provide for routine reviews of required statements of financial interests by personnel responsible for making procurement decisions.

Finding No.7: Information Technology-Timely Deactivation of Access Privileges

7. The District has enhanced its procedures to ensure that access privileges of former contractors are timely deactivated. In addition, the District has implemented procedures to periodically review user access privileges.

Federal Awards Finding No.2014-001

The District will make all attempts to enhance procedures to ensure that all teachers working in Title I schoolwide program schools are highly qualified by the end of the 2014-2015 fiscal year. The District will document to the grantor (FDOE) the allowability of the $160,026 of questioned costs.

Again, we wish to express our appreciation to your audit staff for the professional manner in which the audit was conducted. We appreciate your recommendations and have taken action to implement them. Liberty County has been diligent in the past in attempting to conduct their affairs in a correct and efficient manner, and we plan to continue in the same manner in the future. If you need additional information, please let me know.

Sincerely,

David H. Summers

David H Summers, Superintendent
Liberty County School Board
DS/sh