

LEVY COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2011



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Cameron A. Asbell	1
Beth Davis, Chair to 11-15-10	2
G. Frank Etheridge to 11-15-10	3
Robert E. Philpot from 11-16-10	3
Paige S. Brookins, Vice Chair from 11-16-10	4
Rick Turner, Vice Chair to 11-15-10, Chair from 11-16-10	5

Robert O. Hastings, Superintendent

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

The audit was coordinated by Philip B Ciano, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

ADDITIONAL MATTERS

Finding No. 1: District records did not sufficiently evidence that performance assessments of instructional personnel and school administrators included consideration of student performance, contrary to Section 1012.34(3), Florida Statutes (2010).

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

Finding No. 3: District records indicated that approximately \$50,000 of ad valorem tax levy proceeds were not used for authorized purposes.

Finding No. 4: The District did not have a written security incident response plan.

Finding No. 5: The District's information technology security controls related to data loss prevention needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Part A Cluster; Special Education Cluster; Education Technology State Grants; School Improvement Grants Cluster; State Fiscal Stabilization Fund Cluster; and Education Jobs Fund programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on the major Federal programs.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and

- Taken corrective actions for findings included in our report No. 2011-096.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2011. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Levy County District School Board, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 24 percent of the assets and 70 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
February 29, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Levy County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2011. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on the following pages.

FINANCIAL HIGHLIGHTS

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

- The District's total net assets decreased by \$1,734,439.69, which represents a 2.86 percent decrease from the 2009-10 fiscal year.
- During the current fiscal year, General Fund expenditures exceeded revenues by \$1,815,748.35. This may be compared to last fiscal year's results in which General Fund revenues exceeded expenditures by \$286,175.83. Overall, after considering the effects of interfund transfers and insurance proceeds, the General Fund fund balance increased over last fiscal year by \$89,805.76.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – Includes the Levy County Public Facilities Finance Authority, Inc. (Authority), which was formed to facilitate financing for the acquisition of facilities and equipment. Due to the substantive economic relationship between the School Board and the Authority, the financial activities of the Authority are blended in the accompanying basic financial statements.

In addition, the District presents two separate legal entities in this report as discretely presented component units: Whispering Winds Charter School, Inc., and Nature Coast Middle School, Inc. Although legally separate organizations, the component units are included in this report because they meet the criteria for

inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the District.

Fund Financial Statements

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

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

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

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

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

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

The District uses agency funds to account for resources held for student activities and groups and to account for the activity of the employee medical and dependent care reimbursement program.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net Assets, End of Year		
	Governmental Activities	
	6-30-11	6-30-10
Current and Other Assets	\$ 14,128,799.46	\$ 13,338,636.18
Capital Assets	60,881,398.00	63,529,973.21
Total Assets	75,010,197.46	76,868,609.39
Long-Term Liabilities	13,925,607.10	14,640,989.48
Other Liabilities	2,104,989.59	1,513,579.45
Total Liabilities	16,030,596.69	16,154,568.93
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	50,830,573.85	52,709,435.86
Restricted	8,688,805.96	9,226,853.15
Unrestricted (Deficit)	(539,779.04)	(1,222,248.55)
Total Net Assets	\$ 58,979,600.77	\$ 60,714,040.46

The total net assets decreased \$1,734,439.69 from the previous fiscal year. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$58,979,600.77 at the close of the fiscal year. By far, the largest portion of the District's net assets (86.2 percent) reflects investment in capital assets (e.g., land; buildings and fixed equipment; furniture, fixtures, and equipment), less any related outstanding debt used to acquire those assets. The District uses these assets to educate the students of Levy County; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net assets represents resources that are subject to external restrictions such as State required carryover programs, debt service, capital projects, food service, and other purposes. Compensated absences of \$3,386,602.95 and other postemployment benefits payable of \$488,180 reduce the unrestricted net assets and are recognized as amounts that may be needed to meet future obligations.

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

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-11	6-30-10
Program Revenues:		
Charges for Services	\$ 447,502.28	\$ 521,942.53
Operating Grants and Contributions	2,098,546.43	3,842,521.13
Capital Grants and Contributions	730,854.93	470,223.03
General Revenues:		
Property Taxes, Levied for Operational Purposes	12,378,399.64	13,350,357.10
Property Taxes, Levied for Capital Projects	3,033,777.74	3,232,085.43
Grants and Contributions Not Restricted to Specific Programs	36,430,809.88	33,493,020.22
Unrestricted Investment Earnings	30,683.46	16,213.41
Miscellaneous	1,383,134.11	1,032,212.82
Total Revenues	56,533,708.47	55,958,575.67
Functions/Program Expenses:		
Instruction	30,319,411.61	28,518,925.21
Pupil Personnel Services	2,064,476.43	1,917,544.61
Instructional Media Services	616,760.50	672,010.19
Instruction and Curriculum Development Services	1,414,566.43	1,064,920.36
Instructional Staff Training Services	1,170,833.88	952,063.42
Instruction Related Technology	249,536.58	212,290.37
School Board	244,071.11	225,974.27
General Administration	1,331,298.18	1,883,315.26
School Administration	3,191,590.36	2,938,553.38
Facilities Acquisition and Construction	1,313,801.08	915,513.01
Fiscal Services	467,635.31	423,948.34
Food Services	2,666,765.83	2,593,830.68
Central Services	381,371.62	349,749.58
Pupil Transportation Services	4,195,438.58	4,091,599.56
Operation of Plant	3,794,612.23	3,813,624.51
Maintenance of Plant	1,092,761.38	1,043,392.67
Administrative Technology Services	571,499.27	584,030.80
Unallocated Interest on Long-Term Debt	440,311.64	437,149.09
Unallocated Depreciation Expense	2,741,406.14	2,828,334.92
Total Functions/Program Expenses	58,268,148.16	55,466,770.23
Increase (Decrease) in Net Assets	\$ (1,734,439.69)	\$ 491,805.44

Governmental activities decreased the District's net assets by \$1,734,439.69. Significant changes in revenues and expenses that contributed to the change in net assets are as follows:

- Operating grants and contributions decreased by \$1,743,974.70, primarily the result from reclassification of transportation revenues to grants and contributions not restricted to specific programs.
- Expenses increased \$2,801,377.93 over the prior fiscal year, primarily due to an increase in instruction costs. Instruction costs increased primarily due to the addition of ARRA-funded positions.
- General revenue property taxes decreased by \$971,957.46, primarily due to a decrease in property values.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The District receives funding for current education from local, State, and Federal sources. Revenue from local sources is primarily generated by ad valorem property taxes. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. Federal awards are

received for the enhancement of various educational programs, including Title I, National School Lunch, and others. Funding received from local, State, and Federal sources totaled \$56,136,303.87. Local revenue collections were \$17,044,480.40 (30.4 percent), State receipts amounted to \$27,293,881.31 (48.6 percent), and Federal collections were \$11,797,942.16 (21 percent).

General Fund revenues and other sources were greater than expenditures and other uses by \$89,805.76, increasing fund balance to \$3,749,841.81 at June 30, 2011. State revenues decreased \$114,869.59, primarily the result of declining FEFP revenues, and local property taxes levied for operational purposes decreased \$679,812.29. In addition, District expenditures increased by \$974,754.45, primarily as the result of increased costs for instruction, the District increased interfund transfers in by \$806,582.06 to cover repair and maintenance costs of school facilities and certain property and casualty insurance premiums. The total fund balance represents 9.5 percent of total revenues. Some of that balance is restricted for State required carry over programs (\$162,982.33), and fuel tax refund monies (\$251,855.57) and assigned for textbooks, contracted services, local programs, and other purposes (\$731,405.97), which leaves an unassigned fund balance of \$2,603,597.94, or 6.6 percent of total revenues.

The Special Revenue – Other Federal Programs Fund showed revenues and expenditures of \$4,800,245.26 each, and ended the year with no fund balance. The expenditures were for the continuation of Federal educational programs, primarily for the Title I and Special Education programs.

The Special Revenue – Federal Economic Stimulus Fund showed revenues and expenditures of \$4,799,217.40 each and ended the year with no fund balance. The expenditures were mainly for authorized purposes under the American Recovery and Reinvestment Act and Education Jobs Fund programs.

The Debt Service – Other Fund showed other financing sources and expenditures of \$660,215.32 and \$660,220.04, respectively, and ended the year with no fund balance. Expenditures were made to pay the scheduled principal and interest costs associated with the District's certificates of participation.

The Capital Projects – Local Capital Improvement Fund showed revenues, and expenditures and other financing uses of \$3,049,702.70 and \$3,027,799.27, respectively, and ended the year with a fund balance of \$7,061,329.84. It should be noted that \$643,964.08 of total fund balance has been encumbered for specific projects. The expenditures were primarily for the purchase of school related data processing equipment and enterprise software, and costs for maintenance and debt service.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the course of fiscal year 2010-11, the District amended its General Fund budget as needed. The District uses school-based budgeting for nonpersonnel, nonenergy, and nonfixed cost items. Schools are allocated budgets based on student enrollment.

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

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of the 2010-11 fiscal year, the District had \$60,881,398 invested in capital assets, net of depreciation. The following table compares balances at June 30, 2011, with those of the prior fiscal year:

Capital Assets (Net of Depreciation)		
	6-30-11	6-30-10
Land	\$ 1,632,926.07	\$ 1,501,926.07
Improvements Other than Buildings	2,584,760.20	2,784,572.33
Buildings and Fixed Equipment	54,555,296.58	56,469,395.15
Furniture, Fixtures, and Equipment	403,162.75	517,601.61
Motor Vehicles	1,309,940.75	1,744,359.81
Property Under Capital Lease	305,730.95	407,641.27
Audio Visual Materials and Computer Software	89,580.70	104,476.97
Total Capital Assets	<u>\$ 60,881,398.00</u>	<u>\$ 63,529,973.21</u>

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

Long-Term Debt

As of June 30, 2011, the District had long-term debt of \$10,050,824.15. The year-end balance consists of \$6,945,000 in certificates of participation, \$3,035,000 in bonds payable, and \$70,824.15 in an obligation under capital lease. During the year, retirement of debt amounted to \$769,713.20.

Additional information on the District's long-term debt can be found in Notes 5 through 8 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The District's primary source of revenue from the State is based on the number of full time equivalent students (FTE). A student count is taken in October and February. The FTE for the District is relatively stable, but has declined the past three fiscal years. Outlined below is a five-year history of our FTE information:

	Fiscal Year				
	2006-07	2007-08	2008-09	2009-10	2010-11
FTE	6,161	6,165	5,973	5,819	5,626

The District operated 13 schools during the 2010-11 school year, consisting of 4 elementary schools, 2 middle schools, 3 high schools, 1 K-8 school, 1 K-12 school, and 2 special facilities. In addition, the District sponsored 2 charter schools, Whispering Winds Charter School, Inc., and Nature Coast Middle School, Inc.

The District remains in a stable financial condition, but is facing uncertain economic times. The impact of pending budget reductions at the State level remains unknown at this time. The District is a rural district and has unique issues concerning the operations of its 13 school sites. In light of uncertain economic times, District staff continually monitor the District's financial position. The Board must continue to be vigilant in monitoring its resources to meet the demands of the State's public education system.

REQUESTS FOR INFORMATION

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School Board of Levy County, Director of Finance, at P.O. Box 129, Bronson, Florida 32621. The District's physical address is 480 Marshburn Drive, Bronson, Florida.

BASIC FINANCIAL STATEMENTS

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

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	\$ 12,907,896.72	\$ 436,945.00
Cash with Fiscal Agent	517,610.02	
Investments	77,968.95	
Taxes Receivable	2,880.55	
Accounts Receivable	814.74	6,489.00
Deposits Receivable		880.00
Due from Other Agencies	493,334.80	
Prepaid Items		6,747.00
Inventories	128,293.68	
Capital Assets:		
Nondepreciable Capital Assets	1,632,926.07	69,505.00
Depreciable Capital Assets, Net	59,248,471.93	736,845.00
TOTAL ASSETS	\$ 75,010,197.46	\$ 1,257,411.00
LIABILITIES		
Salaries and Benefits Payable	\$ 490,744.77	\$ 8,188.00
Accounts Payable	947,606.00	19,544.00
Due to Other Agencies	467.00	
Deferred Revenue	148,561.80	
Matured Certificates of Participation Payable	375,000.00	
Matured Interest Payable	142,610.02	
Long-Term Liabilities:		
Portion Due Within One Year	1,094,718.88	17,730.00
Portion Due After One Year	12,830,888.22	302,266.00
Total Liabilities	16,030,596.69	347,728.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	50,830,573.85	486,354.00
Restricted for:		
State Required Carryover Programs	162,982.33	
Debt Service	44,895.21	
Capital Projects	7,968,581.67	
Food Service	260,491.18	
Other Purposes	251,855.57	70,123.00
Unrestricted	(539,779.04)	353,206.00
Total Net Assets	58,979,600.77	909,683.00
TOTAL LIABILITIES AND NET ASSETS	\$ 75,010,197.46	\$ 1,257,411.00

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 30,319,411.61	\$	\$	\$
Pupil Personnel Services	2,064,476.43			
Instructional Media Services	616,760.50			
Instruction and Curriculum Development Services	1,414,566.43			
Instructional Staff Training Services	1,170,833.88			
Instruction Related Technology	249,536.58			
School Board	244,071.11			
General Administration	1,331,298.18			
School Administration	3,191,590.36			
Facilities Acquisition and Construction	1,313,801.08			540,203.69
Fiscal Services	467,635.31			
Food Services	2,666,765.83	433,832.81	2,098,546.43	
Central Services	381,371.62			
Pupil Transportation Services	4,195,438.58	13,669.47		
Operation of Plant	3,794,612.23			
Maintenance of Plant	1,092,761.38			
Administrative Technology Services	571,499.27			
Unallocated Interest on Long-Term Debt	440,311.64			190,651.24
Unallocated Depreciation Expense*	2,741,406.14			
Total Primary Government	\$ 58,268,148.16	\$ 447,502.28	\$ 2,098,546.43	\$ 730,854.93
Component Units				
Charter Schools	\$ 1,750,013.00	\$ 16,011.00	\$ 32,028.00	\$ 95,353.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

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

<u>Net (Expense) Revenue and Changes in Net Assets</u>	
<u>Primary Government</u>	<u>Component</u>
<u>Governmental</u>	<u>Units</u>
<u>Activities</u>	
\$ (30,319,411.61)	\$
(2,064,476.43)	
(616,760.50)	
(1,414,566.43)	
(1,170,833.88)	
(249,536.58)	
(244,071.11)	
(1,331,298.18)	
(3,191,590.36)	
(773,597.39)	
(467,635.31)	
(134,386.59)	
(381,371.62)	
(4,181,769.11)	
(3,794,612.23)	
(1,092,761.38)	
(571,499.27)	
(249,660.40)	
(2,741,406.14)	
(54,991,244.52)	
	(1,606,621.00)
12,378,399.64	
3,033,777.74	
36,430,809.88	1,594,551.00
30,683.46	312.00
1,383,134.11	
53,256,804.83	1,594,863.00
(1,734,439.69)	(11,758.00)
60,714,040.46	921,441.00
\$ 58,979,600.77	\$ 909,683.00

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

	General Fund	Special Revenue - Other Federal Programs Fund	Special Revenue - Federal Economic Stimulus Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 3,967,924.31	\$ 285,432.18	\$ 34,730.27
Cash with Fiscal Agent			
Investments	38,125.72		
Taxes Receivable	2,880.55		
Accounts Receivable	814.74		
Due from Other Funds	123,030.25	415.77	41,424.44
Due from Other Agencies	315,990.52	68,378.86	
Inventories			
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 4,448,766.09</u>	<u>\$ 354,226.81</u>	<u>\$ 76,154.71</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 490,744.77	\$	\$
Accounts Payable	204,400.60	284,561.18	28,762.38
Due to Other Funds	3,311.91	57,717.02	13,745.12
Due to Other Agencies	467.00		
Deferred Revenue		11,948.61	33,647.21
Matured Certificates of Participation Payable			
Matured Interest Payable			
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>698,924.28</u>	<u>354,226.81</u>	<u>76,154.71</u>
Fund Balances:			
Nonspendable:			
Inventory			
Restricted for:			
State Required Carryover Programs	162,982.33		
Debt Service			
Capital Projects			
Food Service			
Fuel Tax Refund	251,855.57		
Total Restricted Fund Balance	<u>414,837.90</u>		
Assigned to:			
Local Programs	598,022.88		
Textbooks	47,803.50		
Contracted Services	52,389.85		
Other Purposes	33,189.74		
Total Assigned Fund Balance	<u>731,405.97</u>		
Unassigned Fund Balance	<u>2,603,597.94</u>		
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,749,841.81</u>		
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,448,766.09</u>	<u>\$ 354,226.81</u>	<u>\$ 76,154.71</u>

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

Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
517,610.02	7,514,491.18	1,105,318.78	12,907,896.72
	509.22	39,334.01	517,610.02
			77,968.95
			2,880.55
			814.74
	20,263.93	162.16	185,296.55
	811.90	108,153.52	493,334.80
		128,293.68	128,293.68
<u>\$ 517,610.02</u>	<u>\$ 7,536,076.23</u>	<u>\$ 1,381,262.15</u>	<u>\$ 14,314,096.01</u>
\$	\$	\$	\$
	384,551.19	45,330.65	490,744.77
	90,195.20	20,327.30	947,606.00
			185,296.55
			467.00
		102,965.98	148,561.80
375,000.00			375,000.00
142,610.02			142,610.02
<u>517,610.02</u>	<u>474,746.39</u>	<u>168,623.93</u>	<u>2,290,286.14</u>
		128,293.68	128,293.68
			162,982.33
		44,895.21	44,895.21
	7,061,329.84	907,251.83	7,968,581.67
		132,197.50	132,197.50
			251,855.57
	<u>7,061,329.84</u>	<u>1,084,344.54</u>	<u>8,560,512.28</u>
			598,022.88
			47,803.50
			52,389.85
			33,189.74
			731,405.97
			2,603,597.94
	<u>7,061,329.84</u>	<u>1,212,638.22</u>	<u>12,023,809.87</u>
<u>\$ 517,610.02</u>	<u>\$ 7,536,076.23</u>	<u>\$ 1,381,262.15</u>	<u>\$ 14,314,096.01</u>

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

Total Fund Balances - Governmental Funds **\$ 12,023,809.87**

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 60,881,398.00

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

Certificates of Participation Payable	\$ 6,945,000.00	
Bonds Payable	3,035,000.00	
Obligation Under Capital Lease	70,824.15	
Compensated Absences Payable	3,386,602.95	
Other Postemployment Benefits Payable	488,180.00	
	(13,925,607.10)	(13,925,607.10)

Total Net Assets - Governmental Activities **\$ 58,979,600.77**

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

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

	General Fund	Special Revenue - Other Federal Programs Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 57,816.03	\$	\$
Federal Through State and Local State	87,806.04 26,154,745.38	4,800,245.26	4,799,217.40
Local:			
Property Taxes	12,378,399.64		
Impact Fees			
Charges for Services - Food Service			
Miscellaneous	896,016.82		
Total Revenues	<u>39,574,783.91</u>	<u>4,800,245.26</u>	<u>4,799,217.40</u>
Expenditures			
Current - Education:			
Instruction	22,924,606.02	3,122,826.96	4,239,143.40
Pupil Personnel Services	1,901,969.66	78,228.98	81,990.26
Instructional Media Services	596,514.31	1,391.20	18,086.78
Instruction and Curriculum Development Services	706,070.91	571,509.60	135,311.40
Instructional Staff Training Services	511,185.95	550,175.17	108,275.63
Instruction Related Technology	188,829.81	60,494.28	
School Board	243,847.31		
General Administration	1,093,959.57	126,085.25	110,528.33
School Administration	3,165,458.20	7,283.87	14,712.24
Facilities Acquisition and Construction	13,293.10	164,190.45	33,994.68
Fiscal Services	467,028.77		
Food Services			
Central Services	365,917.78	15,013.99	
Pupil Transportation Services	3,732,713.15	51,775.28	
Operation of Plant	3,792,349.44		
Maintenance of Plant	1,080,021.99		
Administrative Technology Services	571,159.61		
Community Services			
Fixed Capital Outlay:			
Facilities Acquisition and Construction	1,268.18		
Other Capital Outlay	34,338.50	51,270.23	57,174.68
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>41,390,532.26</u>	<u>4,800,245.26</u>	<u>4,799,217.40</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,815,748.35)</u>		
Other Financing Sources (Uses)			
Transfers In	1,790,934.34		
Insurance Loss Recoveries	222,692.25		
Transfers Out	(108,072.48)		
Total Other Financing Sources (Uses)	<u>1,905,554.11</u>		
Net Change in Fund Balances	89,805.76		
Fund Balances, Beginning	3,660,036.05		
Fund Balances, Ending	<u>\$ 3,749,841.81</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

Debt Service - Other Fund	Capital Projects - Local Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		57,816.03	11,740,126.13
		2,052,857.43	27,293,881.31
		1,139,135.93	
	3,033,777.74		15,412,177.38
		68,191.88	68,191.88
		433,832.81	433,832.81
	15,924.96	218,336.55	1,130,278.33
	3,049,702.70	3,912,354.60	56,136,303.87
			30,286,576.38
			2,062,188.90
			615,992.29
			1,412,891.91
			1,169,636.75
			249,324.09
			243,847.31
			1,330,573.15
	643,908.78	458,414.07	3,187,454.31
			1,313,801.08
			467,028.77
		2,664,864.09	2,664,864.09
			380,931.77
			3,784,488.43
			3,792,349.44
			1,080,021.99
			571,159.61
	79,549.57	53,467.43	134,285.18
	27,189.99	39,662.64	209,636.04
375,000.00	199,713.20	195,000.00	769,713.20
285,220.04	12,666.80	142,424.80	440,311.64
660,220.04	963,028.34	3,553,833.03	56,167,076.33
(660,220.04)	2,086,674.36	358,521.57	(30,772.46)
660,215.32		108,072.48	2,559,222.14
		6,833.35	229,525.60
	(2,064,770.93)	(386,378.73)	(2,559,222.14)
660,215.32	(2,064,770.93)	(271,472.90)	229,525.60
(4.72)	21,903.43	87,048.67	198,753.14
4.72	7,039,426.41	1,125,589.55	11,825,056.73
\$ 0.00	\$ 7,061,329.84	\$ 1,212,638.22	\$ 12,023,809.87

**LEVY COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

Net Change in Fund Balances - Governmental Funds **\$ 198,753.14**

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current fiscal year.

Fixed Capital Outlay - Facilities Acquisition and Construction	\$ 134,285.18		
Fixed Capital Outlay - Other Capital Outlay	209,636.04		
Depreciation Expense	<u>(3,160,375.43)</u>		(2,816,454.21)

The donation of capital assets is not reported in the governmental funds. However, in the statement of activities, the acquisition of donated assets is reported as revenue and the value at the date acquired is allocated over their useful lives as depreciation expense. 167,879.00

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The following details long-term debt payments in the current period.

Certificates of Participation Payments	\$ 375,000.00		
Bonds Payable Payments	195,000.00		
Capital Lease Payments	<u>199,713.20</u>		769,713.20

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences paid in excess of the amount earned in the current fiscal year. 237,917.18

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. (292,248.00)

Change in Net Assets - Governmental Activities **\$ (1,734,439.69)**

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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2011**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ <u>481,234.48</u>
LIABILITIES	
Accounts Payable	\$ 18,292.00
Deposits Payable	27,110.48
Internal Accounts Payable	<u>435,832.00</u>
TOTAL LIABILITIES	<u>\$ 481,234.48</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

- **Blended Component Unit.** The Levy County Public Facilities Finance Authority, Inc. (Authority), was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 5. Due to the substantive economic relationship between the District and the Authority, the financial activities of the Authority are included in the accompanying basic financial statements. Separate financial statements for the Authority are not published.
- **Discretely Presented Component Units.** The component unit columns in the government-wide financial statements include the financial data of two charter schools: Whispering Winds Charter School, Inc., and Nature Coast Middle School, Inc.

The charter schools are not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under charters approved by their sponsor, the Board, and are considered to be component units of the District since they cannot levy taxes and are financially dependent on the District for their support. The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2011, which are on file at the District's administrative office.

➤ **Basis of Presentation**

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

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

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

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

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Federal Programs Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA) and other Federal stimulus programs.
- Debt Service – Other Fund – to account for the financial resources used for the payment of debt service requirements on the District's certificates of participation that have been issued for capital construction.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects, and debt service payments on the enterprise resource system capital lease.

Additionally, the District reports the following fiduciary fund type:

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

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

dependent reimbursement program, which is administered by a third-party administrator and available to employees through the District's cafeteria plan.

➤ **Basis of Accounting**

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

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

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

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

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

➤ **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash in 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.

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

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

The District's investments in Florida PRIME, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2011, 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 0.78965331 at June 30, 2011. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by 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 on investments.

➤ **Inventories**

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

➤ **Capital Assets**

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

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

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

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

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

➤ **Long-Term Liabilities**

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

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

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

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

➤ **State Revenue Sources**

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

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Public Education Capital Outlay funds as deferred revenue until such time as an encumbrance authorization is received.

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

➤ **District Property Taxes**

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

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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
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JUNE 30, 2011**

The Board adopted the 2010 tax levy on September 7, 2010. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

➤ **Educational Impact Fees**

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

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

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

3. INVESTMENTS

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

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	31 Day Average	\$ 219,070.27
Fund B Surplus Funds Trust Fund (Fund B)	7.16 Year Average	42,723.08
Debt Service Accounts	6 Months	35,245.87
Total Investments		<u>\$ 297,039.22</u>

Notes: (1) Investment reported as a cash equivalent for financial statement reporting purposes.

Interest Rate Risk

- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.
- Florida PRIME had a weighted average days to maturity (WAM) of 31 days at June 30, 2011. 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, 2011, is estimated at 7.16 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

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

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

- The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.
- As of June 30, 2011, the District's investment in Florida PRIME is rated AAAm by Standard & Poor's. Fund B is unrated.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,501,926.07	\$ 131,000.00	\$	\$ 1,632,926.07
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,698,562.55			4,698,562.55
Buildings and Fixed Equipment	82,871,871.66	169,896.00		83,041,767.66
Furniture, Fixtures, and Equipment	6,215,999.20	176,801.10	373,764.34	6,019,035.96
Motor Vehicles	7,067,765.50	9,600.00	41,559.00	7,035,806.50
Property Under Capital Lease	509,551.59			509,551.59
Audio Visual Materials and Computer Softw are	755,400.78	24,503.12		779,903.90
Total Capital Assets Being Depreciated	102,119,151.28	380,800.22	415,323.34	102,084,628.16
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,913,990.22	199,812.13		2,113,802.35
Buildings and Fixed Equipment	26,402,476.51	2,083,994.57		28,486,471.08
Furniture, Fixtures, and Equipment	5,698,397.59	291,239.96	373,764.34	5,615,873.21
Motor Vehicles	5,323,405.69	444,019.06	41,559.00	5,725,865.75
Property Under Capital Lease	101,910.32	101,910.32		203,820.64
Audio Visual Materials and Computer Softw are	650,923.81	39,399.39		690,323.20
Total Accumulated Depreciation	40,091,104.14	3,160,375.43	415,323.34	42,836,156.23
Total Capital Assets Being Depreciated, Net	62,028,047.14	(2,779,575.21)		59,248,471.93
Governmental Activities Capital Assets, Net	\$ 63,529,973.21	\$ (2,648,575.21)	\$ 0.00	\$ 60,881,398.00

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 407,498.92
Maintenance of Plant	11,470.37
Unallocated	2,741,406.14
Total Depreciation Expense - Governmental Activities	\$ 3,160,375.43

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

5. CERTIFICATES OF PARTICIPATION

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

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

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

The lease payments are payable by the District semiannually, on July 1 and January 1 at interest rates ranging from 3.375 to 4.25 percent. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 658,501.26	\$ 385,000.00	\$ 273,501.26
2013	660,507.52	400,000.00	260,507.52
2014	661,507.52	415,000.00	246,507.52
2015	661,463.76	430,000.00	231,463.76
2016	660,338.76	445,000.00	215,338.76
2017-2021	3,295,193.80	2,490,000.00	805,193.80
2022-2024	<u>2,635,600.02</u>	<u>2,380,000.00</u>	<u>255,600.02</u>
Total Minimum Lease Payments	<u>\$9,233,112.64</u>	<u>\$ 6,945,000.00</u>	<u>\$ 2,288,112.64</u>

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

6. BONDS PAYABLE

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2009A, Refunding	\$ 105,000	4.0 - 5.0	2019
Series 2005B, Refunding	1,050,000	5.0	2018
District Revenue Bonds:			
Series 2005	<u>1,880,000</u>	3.25 - 4.50	2031
Total Bonds Payable	<u><u>\$ 3,035,000</u></u>		

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

➤ **State School Bonds**

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

➤ **District Revenue Bonds**

These bonds are authorized by Chapter 70-781, Laws of Florida, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Levy County from the State's Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)6.a., Florida Statutes (2001)). The annual distribution is remitted by the Florida Department of Financial Services to the District. These funds accrue annually to the Levy County District School Board after the first \$12,000 has been paid to the Levy County Board of Commissioners pursuant to Chapter 65-1217, Laws of Florida. All such money not needed for the payment of principal and interest, and handling charges becoming due during the current fiscal year may be used for any lawful purpose. The District is not required to retain excess sinking fund balances or reserves over the amounts needed to make the required fiscal year payments.

The District has pledged a combined total of \$2,796,618.78 of sales tax revenues in connection with the 2005 District Revenue Bonds, described above. During the 2010-11 fiscal year, the District recognized sales tax revenues totaling \$434,500 and expended \$143,481.25 (33 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt on September 1, 2030. Approximately 32 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

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

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

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2012	\$ 192,500.00	\$ 135,000.00	\$ 57,500.00
2013	200,850.00	150,000.00	50,850.00
2014	198,500.00	155,000.00	43,500.00
2015	200,750.00	165,000.00	35,750.00
2016	192,500.00	165,000.00	27,500.00
2017-2019	<u>416,250.00</u>	<u>385,000.00</u>	<u>31,250.00</u>
Total State School Bonds	<u>1,401,350.00</u>	<u>1,155,000.00</u>	<u>246,350.00</u>
District Revenue Bonds:			
2012	141,368.75	65,000.00	76,368.75
2013	139,215.63	65,000.00	74,215.63
2014	141,937.51	70,000.00	71,937.51
2015	139,531.26	70,000.00	69,531.26
2016	141,946.88	75,000.00	66,946.88
2017-2021	699,181.25	410,000.00	289,181.25
2022-2024	695,875.00	500,000.00	195,875.00
2027-2031	<u>697,562.50</u>	<u>625,000.00</u>	<u>72,562.50</u>
Total District Revenue Bonds	<u>2,796,618.78</u>	<u>1,880,000.00</u>	<u>916,618.78</u>
Total	<u>\$ 4,197,968.78</u>	<u>\$ 3,035,000.00</u>	<u>\$ 1,162,968.78</u>

7. OBLIGATION UNDER CAPITAL LEASE

Enterprise resource software costing \$509,551.59 was acquired under capital lease at an imputed interest rate of 3.5 percent. The final payment of \$72,662, including \$1,837.85 interest, will be made during the 2011-12 fiscal year.

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

8. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$ 7,320,000.00	\$	\$ 375,000.00	\$ 6,945,000.00	\$ 385,000.00
Bonds Payable	3,230,000.00		195,000.00	3,035,000.00	200,000.00
Obligation Under Capital Lease	270,537.35		199,713.20	70,824.15	70,824.15
Compensated Absences Payable	3,624,520.13	3,031,702.82	3,269,620.00	3,386,602.95	438,894.73
Other Postemployment Benefits Payable	<u>195,932.00</u>	<u>519,011.00</u>	<u>226,763.00</u>	<u>488,180.00</u>	
Total Governmental Activities	<u>\$ 14,640,989.48</u>	<u>\$ 3,550,713.82</u>	<u>\$ 4,266,096.20</u>	<u>\$ 13,925,607.10</u>	<u>\$ 1,094,718.88</u>

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

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 123,030.25	\$ 3,311.91
Special Revenue:		
Other	415.77	57,717.02
Federal Economic Stimulus	41,424.44	13,745.12
Capital Projects:		
Local Capital Improvement	20,263.93	90,195.20
Nonmajor Governmental	<u>162.16</u>	<u>20,327.30</u>
Total	<u>\$ 185,296.55</u>	<u>\$ 185,296.55</u>

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

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 1,790,934.34	\$ 108,072.48
Debt Service - Other	660,215.32	
Capital Projects - Local Capital Improvement		2,064,770.93
Nonmajor Governmental	108,072.48	386,378.73
Total	<u>\$ 2,559,222.14</u>	<u>\$ 2,559,222.14</u>

Interfund transfers are used primarily when revenues are recognized in one fund but are used to pay expenses in another. Local Capital Improvement Fund moneys were used to pay certificates of participation debt, property and casualty insurance premium, and maintenance and repair expenditures. Racetrack revenues and charter school capital outlay funds were also transferred to the General Fund.

10. FUND BALANCE REPORTING

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

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

➤ **Nonspendable**

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

➤ **Restricted**

This 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. The District classifies most of its fund balances other than General Fund as restricted, as well as unspent Federal and State required carryover programs funding and fuel tax refunds, reported in the General Fund, that are legally or otherwise restricted.

➤ **Committed**

This is the portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the

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

Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District did not have any committed fund balances at June 30, 2011.

➤ **Assigned**

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

➤ **Unassigned**

This 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.

11. SCHEDULE OF STATE REVENUE SOURCES

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

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 19,596,729.00
Categorical Educational Program - Class Size Reduction	5,860,288.00
Racing Commission Funds	434,500.00
Gross Receipts Tax (Public Education Capital Outlay)	333,345.02
School Recognition	238,992.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	233,087.57
Charter School Capital Outlay	95,360.00
Food Service Supplement	46,300.00
Discretionary Lottery Funds	20,027.00
Mobile Home License Tax	16,436.42
Miscellaneous	<u>418,816.30</u>
Total	<u><u>\$ 27,293,881.31</u></u>

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

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

12. PROPERTY TAXES

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

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.155	\$ 10,591,238.53
Basic Discretionary Local Effort	0.748	1,536,808.23
Critical Operating Needs	0.250	513,639.11
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>1.500</u>	<u>3,081,834.68</u>
Total	<u><u>7.653</u></u>	<u><u>\$ 15,723,520.55</u></u>

13. FLORIDA RETIREMENT SYSTEM

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

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

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

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

FRS Retirement Contribution Rates

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

Class	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Elected County Officers	0.00	18.64
Florida Retirement System, Senior Management Service	0.00	14.57
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of PEORP.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions to the Plan for the fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled \$2,836,815.63, \$2,705,917.59, and \$3,003,891.87, respectively, which were equal to the required contributions for each fiscal year. There were 97 PEORP participants during the 2010-11 fiscal year. Required contributions made to PEORP totaled \$350,434.59.

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

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

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

14. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, and life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Eighty percent of retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or another entity.

Funding Policy. Plan contribution requirements of the District and Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2010-11 fiscal year, 78 retirees received other postemployment benefits. The District provided required contributions of \$226,763 toward the annual OPEB cost, net of retiree contributions totaling \$407,613, which represents 1.9 percent of covered payroll.

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

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

Description	Amount
Normal Cost (service cost for one year)	\$ 270,532
Amortization of Unfunded Actuarial Accrued Liability	242,584
Interest on Normal Cost and Amortization	<u>5,056</u>
Annual Required Contribution	518,172
Interest on Net OPEB Obligation	7,837
Adjustment to Annual Required Contribution	<u>(6,998)</u>
Annual OPEB Cost (Expense)	519,011
Contribution Toward the OPEB Cost	<u>(226,763)</u>
Increase in Net OPEB Obligation	292,248
Net OPEB Obligation, Beginning of Year	<u>195,932</u>
Net OPEB Obligation, End of Year	<u><u>\$ 488,180</u></u>

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	\$ 251,159	61.6%	\$ 96,551
2009-10	253,989	60.9%	195,932
2010-11	519,011	43.7%	488,180

Funded Status and Funding Progress. As of October 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was \$6,660,474, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$6,660,474 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$21,046,218, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 31.6 percent.

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

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

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

The District's OPEB actuarial valuation as of October 1, 2010, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2011, and to estimate the District's 2010-11 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 12 percent initially for the 2010-11 fiscal year, reduced by 3.5 percent the next year, then reduced by 0.5 percent per year to an ultimate rate of 5 percent. The investment rate of return and payroll growth assumptions include a general price inflation of 3 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 27 years.

15. OTHER SIGNIFICANT COMMITMENTS

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

The following is a schedule of encumbrances at June 30, 2011:

Major Funds					
General	Special Revenue - Other	Special Revenue - Federal Economic Stimulus	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<u>\$133,383.09</u>	<u>\$114,159.64</u>	<u>\$69,556.90</u>	<u>\$643,964.08</u>	<u>\$ 20,503.64</u>	<u>\$981,567.35</u>

16. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Levy County District School Board is a member of the North East Florida Educational Consortium (Consortium) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments

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

(premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. The Putnam County District School Board serves as fiscal agent for the Consortium.

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

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**LEVY COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2011**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 35,000.00	\$ 87,806.04	\$ 57,816.03	\$ (29,990.01)
Federal Through State and Local	100,000.00	52,862.57	87,806.04	34,943.47
State	27,217,353.00	26,162,890.03	26,154,745.38	(8,144.65)
Local:				
Property Taxes	12,149,437.00	12,149,437.00	12,378,399.64	228,962.64
Miscellaneous	455,205.00	944,240.84	896,016.82	(48,224.02)
Total Revenues	39,956,995.00	39,397,236.48	39,574,783.91	177,547.43
Expenditures				
Current - Education:				
Instruction	22,791,610.00	22,978,487.77	22,924,606.02	53,881.75
Pupil Personnel Services	1,823,356.00	2,205,524.00	1,901,969.66	303,554.34
Instructional Media Services	798,447.00	807,087.19	596,514.31	210,572.88
Instruction and Curriculum Development Services	603,844.00	715,200.25	706,070.91	9,129.34
Instructional Staff Training Services	614,272.00	677,272.00	511,185.95	166,086.05
Instruction Related Technology	198,096.00	198,096.00	188,829.81	9,266.19
School Board	259,692.00	259,692.00	243,847.31	15,844.69
General Administration	1,723,836.00	1,566,538.00	1,093,959.57	472,578.43
School Administration	2,923,614.00	3,168,614.00	3,165,458.20	3,155.80
Facilities Acquisition and Construction	132,012.00	83,464.32	13,293.10	70,171.22
Fiscal Services	422,065.00	467,065.00	467,028.77	36.23
Food Services				
Central Services	346,114.00	365,917.78	365,917.78	
Pupil Transportation Services	3,511,025.00	3,732,713.15	3,732,713.15	
Operation of Plant	3,915,606.00	3,915,606.00	3,792,349.44	123,256.56
Maintenance of Plant	1,030,561.00	1,080,561.00	1,080,021.99	539.01
Administrative Technology Services	608,127.00	608,127.00	571,159.61	36,967.39
Fixed Capital Outlay:				
Facilities Acquisition and Construction		1,268.18	1,268.18	
Other Capital Outlay		34,338.50	34,338.50	
Debt Service:				
Interest and Fiscal Charges		2,500.00		2,500.00
Total Expenditures	41,702,277.00	42,868,072.14	41,390,532.26	1,477,539.88
Excess (Deficiency) of Revenues Over Expenditures	(1,745,282.00)	(3,470,835.66)	(1,815,748.35)	1,655,087.31
Other Financing Sources (Uses)				
Transfers In	974,507.00	1,700,739.41	1,790,934.34	90,194.93
Insurance Loss Recoveries	50,000.00	223,479.27	222,692.25	(787.02)
Transfers Out	(100,000.00)	(108,072.48)	(108,072.48)	
Total Other Financing Sources (Uses)	924,507.00	1,816,146.20	1,905,554.11	89,407.91
Net Change in Fund Balances	(820,775.00)	(1,654,689.46)	89,805.76	1,744,495.22
Fund Balances, Beginning	3,660,036.00	3,660,036.05	3,660,036.05	
Fund Balances, Ending	\$ 2,839,261.00	\$ 2,005,346.59	\$ 3,749,841.81	\$ 1,744,495.22

Special Revenue - Other Federal Programs 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)
<u>4,821,171.00</u>	<u>6,125,847.93</u>	<u>4,800,245.26</u>	<u>(1,325,602.67)</u>	<u>4,160,025.00</u>	<u>5,786,472.17</u>	<u>4,799,217.40</u>	<u>(987,254.77)</u>
3,554,545.00	3,946,785.66	3,122,826.96	823,958.70	3,702,657.00	5,121,960.96	4,239,143.40	882,817.56
179,985.00	197,558.00	78,228.98	119,329.02	60,860.00	81,990.26	81,990.26	
6,241.00	5,934.00	1,391.20	4,542.80		18,086.78	18,086.78	
261,596.00	571,509.60	571,509.60		138,130.00	165,420.00	135,311.40	30,108.60
614,098.00	874,937.64	550,175.17	324,762.47	121,706.00	161,399.24	108,275.63	53,123.61
47,623.00	66,880.16	60,494.28	6,385.88				
100,251.00	141,221.89	126,085.25	15,136.64	88,554.00	110,528.33	110,528.33	
3,079.00	7,283.87	7,283.87		35,013.00	14,712.24	14,712.24	
	164,190.45	164,190.45			33,994.68	33,994.68	
					8,100.00		8,100.00
18,711.00	45,390.43	15,013.99	30,376.44				
35,042.00	52,886.00	51,775.28	1,110.72	13,105.00	13,105.00		13,105.00
	51,270.23	51,270.23					
					57,174.68	57,174.68	
<u>4,821,171.00</u>	<u>6,125,847.93</u>	<u>4,800,245.26</u>	<u>1,325,602.67</u>	<u>4,160,025.00</u>	<u>5,786,472.17</u>	<u>4,799,217.40</u>	<u>987,254.77</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

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

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

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

1. BUDGETARY BASIS OF ACCOUNTING

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

2. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The October 1, 2010, unfunded actuarial accrued liability of \$6,660,474 was significantly higher than the June 30, 2008, liability of \$2,375,637 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- Compared to the prior valuation, the method used to estimate the actuarial accrued liability changed from the projected unit credit normal actuarial cost method to the entry age normal cost actuarial method.
- In the prior valuation, retirees were assumed to discontinue their coverage under the District plan upon attainment of eligibility for Medicare benefits. Data furnished for this valuation shows 21 retirees age 65 and older are covered under the plan, representing more than 25 percent of covered retirees. Consequently, it was assumed this year that only 80 percent of retirees would discontinue their coverage upon attaining age 65. That is, 20 percent of covered retirees would continue coverage beyond age 65, presumably for their lifetime.
- The implicit subsidy to life insurance benefits had not been included in the prior valuation.
- Assumed retirement rates: 2010 valuation uses retirement rates from the July 1, 2009, FRS valuation. These rates are higher than those used in the prior valuation.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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 Education:				
School Breakfast Program	10.553	321	\$ 434,203.62	\$
National School Lunch Program	10.555	300	1,437,251.08	
Summer Food Service Program for Children	10.559	323	14,541.18	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	156,189.11	
Total Child Nutrition Cluster			2,042,184.99	
Florida Department of Education:				
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	7,350.00	
Total United States Department of Agriculture			2,049,534.99	
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	1,470,208.55	7,921.14
Special Education - Preschool Grants	84.173	267	52,534.30	
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	591,902.29	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	25,270.74	
University of South Florida:				
Special Education - Grants to States	84.027	None	5,334.13	
Marion County District School Board:				
Special Education - Grants to States	84.027	None	10,771.86	
Special Education - Preschool Grants	84.173	None	1,457.50	
Putnam County District School Board:				
Special Education - Grants to States	84.027	None	87,409.06	
Total Special Education Cluster			2,244,888.43	7,921.14
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	2,107,413.67	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	226	751,624.40	
Total Title I, Part A Cluster			2,859,038.07	
School Improvement Grants Cluster:				
Florida Department of Education:				
School Improvement Grants	84.377	126	125,127.64	
ARRA - School Improvement Grants, Recovery Act	84.388	126	488,874.27	
Total School Improvement Grants Cluster			614,001.91	
State Fiscal Stabilization Fund Cluster:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	1,703,437.00	
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	33,994.68	
Putnam County District School Board:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	None	101,883.32	
Total State Fiscal Stabilization Fund Cluster			1,839,315.00	
Florida Department of Education:				
Career and Technical Education - Basic Grants to States	84.048	161	119,340.96	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	5,750.05	
Twenty-First Century Community Learning Centers	84.287	244	123,506.02	
Education Technology State Grants	84.318	122	164,190.45	
Transition to Teaching	84.350	227	39,005.35	
Rural Education	84.358	110	152,070.31	
English Language Acquisition Grants	84.365	102	42,737.32	
Improving Teacher Quality State Grants	84.367	224	302,458.44	
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	890.65	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111	94,583.37	
Education Jobs Fund	84.410	541	1,101,290.00	
Putnam County District School Board:				
Early Reading First	84.359	None	1,428.87	
Alachua County District School Board:				
Migrant Education State Grant Program	84.011	None	8,493.14	
Total United States Department of Education			9,712,988.34	7,921.14
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	130,399.06	
Total Expenditures of Federal Awards			\$ 11,892,922.39	\$ 7,921.14

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

(2) Noncash Assistance - National School Lunch Program. Represents the amount of donated food used during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.



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

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

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
February 29, 2012



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The President of the Senate, the Speaker of the
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Legislative Auditing Committee

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

Compliance

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

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

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

Respectfully submitted,



David W. Martin, CPA
February 29, 2012

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 - ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 - ARRA, and 84.392 - ARRA); Education Technology State Grants (CFDA 84.318); School Improvement Grants Cluster (CFDA Nos. 84.377 and 84.388 - ARRA); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 - ARRA and 84.397 - ARRA); Education Jobs Fund (CFDA No. 84.410)
Dollar threshold used to distinguish between Type A and Type B programs:	\$356,789
Auditee qualified as low-risk auditee?	Yes

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

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

ADDITIONAL MATTERS

Finding No. 1: Performance Assessments

Section 1012.34(3), Florida Statutes (2010),¹ required the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of these employees, the procedures were to primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3), Florida Statutes (2010), at the school where the employee worked. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes (2010), included evaluation measures such as the employee's ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction and use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies. Section 1012.34(3)(d), Florida Statutes (2010), required that, if an employee was not performing satisfactorily, the performance evaluator had to notify the employee in writing and describe the unsatisfactory performance.

The District established performance assessment procedures for instructional personnel and school administrators generally based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes (2010), except that District records did not sufficiently evidence that these employees were evaluated primarily based on student performance. Instructional personnel typically maintain records, in consultation with their school principal or administrator, to establish specific goals addressing the improvement of student performance based on FCAT scores and other standardized tests, and they meet periodically with their school principal or administrator throughout the school year to assess the progress in meeting the projected goals. Similarly, school administrators meet with their immediate supervisors to assess their progress. Although student performance was a consideration in completing instructional and school administrator summative evaluation forms, District records did not sufficiently evidence a correlation between student performance and the employee's performance assessment, nor that student performance was the primary factor for the overall evaluation rating. For example, the evaluation form did not provide a numeric indicator to show that student achievement was the primary contributing factor used to evaluate employee performance.

¹ Sections 1012.34 and 1008.22, Florida Statutes, were amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.34(3)(a), Florida Statutes (2011), at least 50 percent of performance evaluations of instructional personnel and school administrators must be based upon data and indicators of student learning growth assessed annually by statewide or district assessments spanning three years of data. However, if three years of data is not available, the District must use the available data and the percentage of the evaluation based upon student learning growth may be reduced to not less than 40 percent for administrators and in-classroom instructional personnel, and to not less than 20 percent for instructional personnel who are not classroom teachers.

District personnel indicated that the District used evaluation forms, designed before the statutorily-required process, and revisions to performance assessments were delayed until implementation of the Federal Race-to-the-Top grant requirements, which are subject to approval by the Florida Department of Education for the 2011-12 fiscal year. However, without measuring employee performance by the required criteria, performance assessments may not effectively communicate the employee's accomplishments or shortcomings. A similar finding was noted in our report No. 2011-096.

Recommendation: **The District should continue its efforts to document that performance assessments of instructional personnel and school administrators consider student performance as required by law.**

Finding No. 2: Compensation and Salary Schedules

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

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

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

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

The District's instructional personnel salary schedule and union contracts allowed for differentiated pay based on certain factors, including additional responsibilities beyond the standard work day, such as athletic coaches

² Section 1012.22, Florida Statutes, was amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.22(1)(c)4.b., Florida Statutes, the District must base a portion of each employee's compensation upon performance demonstrated under Section 1012.34, Florida Statutes, and provide differentiated pay for instructional personnel and school administrators based upon district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

and student club directors; school demographics for teachers and teacher aides at the District's alternative schools; and level of job performance difficulties for certain peer teachers. However, neither the salary schedules nor the union contract evidenced consideration of differentiated pay based on critical shortage areas for instructional personnel, contrary to Section 1012.22(1)(c)4., Florida Statutes (2010). District personnel indicated that critical shortage areas are determined on an as needed basis and the District did not identify any of these areas for the 2010-11 fiscal year. District personnel also indicated that criteria had not been established for determining critical shortage areas. To document this process, records could evidence the number of applicants, personnel turnover rates, and other factors demonstrating the difficulty in hiring and retaining instructional personnel.

- **School-based Administrators.** The school-based administrator's salary schedule evidenced consideration for additional responsibilities, school demographics, and level of job performance difficulties by the differing administrative pay grades for elementary, middle, and high schools based on the type school. However, the salary schedule did not evidence consideration of differentiated pay based on critical shortage areas for school-based administrators, contrary to Section 1012.22(1)(c)4., Florida Statutes (2010).

District personnel indicated that salary schedule revisions to comply with the statutory performance and differentiated pay requirements were delayed to ensure consistency with Federal Race-to-the-Top grant requirements. However, without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlates to their compensation and the various differentiated pay factors are consistently considered and applied. A similar finding was noted in our report No. 2011-096.

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

Finding No. 3: Ad Valorem Taxation

Section 1011.71, Florida Statutes, allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects, and maintenance, renovation, and repair of existing school plants. In addition, Section 1013.01(12), Florida Statutes, provides that maintenance and repair means the upkeep of educational and ancillary plants, such as roofing replacement and repainting surfaces, but does not include custodian or groundskeeping functions. The District accounts for the ad valorem tax levy proceeds in the Capital Projects – Local Capital Improvement (LCI) Fund.

During the 2010-11 fiscal year, the District transferred approximately \$1 million from the LCI Fund to the General Fund for reimbursement of maintenance of plant function expenditures. However, these expenditures included salaries and benefits totaling \$50,090 for two employees, a groundskeeper and a transportation receptionist, and these costs are not allowable uses of ad valorem tax levy proceeds. District personnel indicated that the amounts transferred for the two employees occurred because of oversights and, in December 2011, subsequent to our review, the District restored the \$50,090 to the LCI Fund.

Without adequate controls to ensure that ad valorem tax levy proceeds are used for authorized purposes, there is an increased risk that the District will violate applicable expenditure restrictions.

Recommendation: The District should continue its efforts to ensure that ad valorem tax levy proceeds are used only for authorized purposes.

Finding No. 4: Information Technology (IT) – Security Incident Response Plan

Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, provision for designated staff to be trained in incident response, and notification of affected parties.

District personnel indicated that since the District had not experienced any network security violations, the District had not developed a written security incident response plan. However, should an event occur that involves the potential or actual compromise, loss, or destruction of District data or information technology (IT) resources, the lack of a written security incident response plan could result in the District's failure to take appropriate and timely actions to prevent further loss or damage to the District's data and IT resources.

Recommendation: The District should develop a written security incident response plan to provide reasonable assurance that the District will respond in an appropriate and timely manner to events that may jeopardize the confidentiality, integrity, or availability of data and IT resources.

Finding No. 5: Information Technology – Security Controls – Data Loss Prevention

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to data loss prevention needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to data loss prevention, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

Recommendation: The District should improve security controls related to data loss prevention to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No 2011-096.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*LEVY COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011*

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

Audit Report No. and Federal Awards Finding No.	Program/ Area	Brief Description	Status	Comments
2011-096		There were no prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE

Robert O. Hastings
Superintendent

480 Marshburn Drive
P.O. Drawer 129
Bronson, FL 32621-0129



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

February 10, 2012

David W. Martin
Auditor General
111 West Madison Street
Tallahassee, Florida 32302

Dear Mr. Martin,

Finding No. 1: District records did not sufficiently evidence that instructional personnel and school administrators were evaluated primarily based on student performance.

Corrective Action:

The District will continue to enhance performance assessment procedures for instructional personnel and school administrators to include indicators that directly link student performance with employee performance evaluations.

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

Corrective Action:

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

Finding No. 3: District records indicated that approximately \$50,000 of ad valorem tax levy proceeds were not used for authorized purposes.

Corrective Action:

Due to an error two of our employees were coded incorrectly. We have corrected the error and reviewed closely all transfers of capital expenditures to insure they are properly authorized and appropriate.

Educators . . . The Guardians of Dreams

EXHIBIT A
MANAGEMENT'S RESPONSE (CONTINUED)

Finding No. 4: The district did not have a written security incident response plan.

Corrective Action:

After reviewing other district and NEFEC's security incident response plans, we will develop one that will be appropriate for Levy County. This will be in place by July 1, 2012

Finding No. 5: The District's information technology security controls related to data loss prevention need improvement.

Corrective Action:

The district will continue to virtualize county and school servers that will include scheduled backups of the entire client servers on a regular basis. This process will be completed for the district by July 1, 2012 and for the schools by July 1, 2013.

Let me know if you have any additional comments or questions.

Respectfully,



Robert O. Hastings, Superintendent

ROH/pqm