

LEVY COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2012



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2011-12 fiscal year are listed below:

	<u>District No.</u>
Cameron A. Asbell, Vice Chair from 11-22-11	1
Beth Davis	2
Robert E. Philpot	3
Paige Brookins, Vice Chair to 11-21-11, Chair from 11-22-11	4
Rick Turner, Chair to 11-21-11	5

Robert O. Hastings, Superintendent

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

The audit team leader was Debra L. Hulse, CPA, and the audit was supervised 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: The District's total assigned and unassigned fund balances in the General Fund significantly decreased, resulting in the District submitting a fiscal recovery plan to the Florida Department of Education.

Finding No. 2: Controls over electronic funds transfers could be enhanced.

Finding No. 3: The Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 4: The Levy County Education Foundation, Inc., a direct support organization of the District, did not provide for a financial audit, contrary to Section 1001.453, Florida Statutes.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, School Improvement Cluster, and Race-to-the-Top programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs. However, we did note a noncompliance and control deficiency finding as summarized below.

Federal Awards Finding No. 1: Required documentation to support personnel charges of Federal programs was not always maintained, contrary to Federal regulations.

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. 2012-118.

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, 2012. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



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

INDEPENDENT AUDITOR'S REPORT 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, 2012, 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 22 percent of the assets and 63 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 reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the 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, 2012, 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 (OMB) 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
March 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Levy County District School Board (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, 2012. 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 2011-12 fiscal year are as follows:

- The District's total net assets decreased by \$3,421,286.64, which represents a 5.8 percent decrease from the 2010-11 fiscal year.
- During the current fiscal year, General Fund expenditures exceeded revenues by \$3,964,775.81. This may be compared to last fiscal year's results in which General Fund expenditures exceeded revenues by \$1,815,748.35. Overall, after considering the effects of interfund transfers and insurance proceeds, the General Fund fund balance decreased from last fiscal year by \$2,144,288.83.

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 Board and the Authority, the financial activities of the Authority are blended in the accompanying basic financial statements.

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

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

Fund Financial Statements

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

Notes to Financial Statements

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

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, 2012, compared to net assets as of June 30, 2011:

	Net Assets, End of Year	
	Governmental	
	Activities	
	<u>6-30-12</u>	<u>6-30-11</u>
Current and Other Assets	\$ 11,449,842.37	\$ 14,128,799.46
Capital Assets	<u>59,144,716.84</u>	<u>60,881,398.00</u>
Total Assets	<u>70,594,559.21</u>	<u>75,010,197.46</u>
Long-Term Liabilities	13,595,507.05	13,925,607.10
Other Liabilities	<u>1,440,738.03</u>	<u>2,104,989.59</u>
Total Liabilities	<u>15,036,245.08</u>	<u>16,030,596.69</u>
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	49,749,716.84	50,830,573.85
Restricted	8,457,652.54	8,688,805.96
Unrestricted Deficit	<u>(2,649,055.25)</u>	<u>(539,779.04)</u>
Total Net Assets	<u>\$ 55,558,314.13</u>	<u>\$ 58,979,600.77</u>

The total net assets decreased \$3,421,286.64 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 \$55,558,314.13 at the close of the fiscal year. By far, the largest portion of the District's net assets (89.5 percent) reflects its investment in capital assets (e.g., land; buildings and fixed equipment; furniture, fixtures, and equipment), less any related debt still outstanding. 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 represent 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 \$3,441,395.05 and other postemployment benefits payable of \$759,112 further 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, 2012, and June 30, 2011, are as follows:

Operating Results for the Fiscal Year Ended			
		Governmental Activities	
		6-30-12	6-30-11
Program Revenues:			
Charges for Services	\$	496,265.94	\$ 447,502.28
Operating Grants and Contributions		2,278,306.40	2,098,546.43
Capital Grants and Contributions		333,822.09	730,854.93
General Revenues:			
Property Taxes, Levied for Operational Purposes		11,193,602.28	12,378,399.64
Property Taxes, Levied for Capital Projects		2,780,098.79	3,033,777.74
Grants and Contributions Not Restricted to Specific Programs		32,242,608.04	36,430,809.88
Unrestricted Investment Earnings		10,697.29	30,683.46
Miscellaneous		988,191.94	1,383,134.11
Total Revenues		50,323,592.77	56,533,708.47
Functions/Program Expenses:			
Instruction		27,603,834.63	30,319,411.61
Pupil Personnel Services		1,986,572.74	2,064,476.43
Instructional Media Services		643,150.76	616,760.50
Instruction and Curriculum Development Services		1,327,823.82	1,414,566.43
Instructional Staff Training Services		1,515,135.91	1,170,833.88
Instruction Related Technology		195,260.43	249,536.58
School Board		236,646.69	244,071.11
General Administration		1,193,072.66	1,331,298.18
School Administration		3,150,250.53	3,191,590.36
Facilities Acquisition and Construction		422,836.63	1,313,801.08
Fiscal Services		412,284.34	467,635.31
Food Services		2,527,613.36	2,666,765.83
Central Services		340,459.86	381,371.62
Pupil Transportation Services		3,942,774.18	4,195,438.58
Operation of Plant		3,524,948.65	3,794,612.23
Maintenance of Plant		1,020,370.38	1,092,761.38
Administrative Technology Services		576,953.61	571,499.27
Unallocated Interest on Long-Term Debt		411,960.88	440,311.64
Unallocated Depreciation Expense		2,712,929.35	2,741,406.14
Total Functions/Program Expenses		53,744,879.41	58,268,148.16
Decrease in Net Assets	\$	(3,421,286.64)	\$ (1,734,439.69)

Governmental activities decreased the District's net assets by \$3,421,286.64. Significant changes in revenues and expenses that contributed to the change in net assets are as follows:

- Grants and Contributions Not Restricted to Specific Programs declined by \$4,188,201.84, primarily from decreased Florida Education Finance Program (FEFP) funding and the end of Federal funding for Education Jobs Fund and American Recovery and Reinvestment Act (ARRA) programs.

- Property Taxes, Levied for Operational Purposes decreased by \$1,184,797.36, primarily from decreased property values and discontinuation of the critical operating needs assessment.
- Instruction expenses declined by \$2,715,576.98, primarily from lower Florida Retirement System contribution rates and from reduced staffing levels caused by expiration of most ARRA-funded programs.

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 FEFP funding formula. Federal awards are received for the enhancement of various educational programs, including Title I, National School Lunch, and others. Funding for current education operations received from local, State, and Federal sources totaled \$50,043,200.24, comprised of local revenues of \$15,156,773.84 (30.3 percent); State revenues of \$25,606,879.42 (51.2 percent); and Federal revenues of \$9,279,546.98 (18.5 percent).

General Fund revenues and other financing sources were less than expenditures and other financing uses by \$2,144,288.83, decreasing fund balance to \$1,605,552.98 at June 30, 2012. State revenues decreased \$1,515,204.51, primarily from declining FEFP revenues. Local property taxes decreased \$1,184,797.36, primarily from expiration of the critical operating needs levy. In addition, the District decreased expenditures by \$758,447, primarily from cost containment measures (e.g., reducing contractual services, supplies, and extra work hours). The total fund balance represents 4.4 percent of total revenues available to the District. Some of that balance is restricted for State-required carry over programs (\$87,404.18) and fuel tax refund collections (\$277,306.88), and some is assigned for purchase commitments and local programs (\$205,737.91), which leaves an unassigned fund balance of \$1,035,104.01, or 2.8 percent of total revenues.

The Special Revenue – Other Federal Programs Fund showed revenues and expenditures of \$5,192,649.66 each, and ended the year with no fund balance. The expenditures were for the continuation of Federal-related educational programs, primarily for the Title I and Special Education programs. Because revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Special Revenue – Federal Economic Stimulus Fund showed revenues and expenditures of \$1,590,289.06 each, and ended the year with no fund balance. This represents a significant decrease from the revenues and expenditures of \$4,799,217.40 each reported for the prior fiscal year. The expenditures were mainly for authorized purposes under ARRA, including a School Improvement grant awarded to Williston High School and for the Race-to-the-Top program. Because revenues attributed to the grants accounted for in this fund are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Debt Service – Other Fund showed other financing sources and expenditures of \$658,501.28 each, 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 other financing sources, and expenditures and other financing uses of \$2,865,539.37 and \$2,803,606.03, respectively, and ended the year with a fund balance of \$7,123,263.18. The expenditures were primarily for the purchase of school buses, school-related data processing equipment, enterprise software, maintenance, and debt service. It should be noted that \$25,279.06 of total fund balance is encumbered for specific projects.

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 2011-12 fiscal year, the District amended its General Fund budget as needed. The District uses school-based budgeting for nonpersonnel, nonenergy, and nonfixed cost items. Schools are allocated budgets based on student enrollment.

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

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of the 2011-12 fiscal year, the District had \$59,144,716.84 invested in capital assets, net of depreciation. The following table compares balances at June 30, 2012, with those of the prior fiscal year:

Capital Assets (Net of Depreciation)		
	6-30-12	6-30-11
Land	\$ 1,632,926.07	\$ 1,632,926.07
Construction in Progress	23,986.63	
Improvements Other than Buildings	2,528,523.88	2,584,760.20
Buildings and Fixed Equipment	52,553,187.38	54,555,296.58
Furniture, Fixtures, and Equipment	383,912.04	403,162.75
Motor Vehicles	1,593,237.02	1,309,940.75
Property Under Capital Lease		305,730.95
Audio Visual Materials and Computer Software	428,943.82	89,580.70
Total Capital Assets	\$59,144,716.84	\$60,881,398.00

Additional information on the District's capital assets can be found in notes 4 and 14 to the financial statements.

Long-Term Debt

At June 30, 2012, the District has total long-term debt outstanding of \$9,395,000, including bonds payable of \$2,835,000 and certificates of participation payable of \$6,560,000. During the fiscal year, retirement of debt totaled \$655,824.15, including the final payment for property under capital lease and other debt payments.

Additional information on the District's long-term debt can be found in notes 5 through 7 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) counted in October and February. The FTE for the District has begun to stabilize as outlined over the last five years below:

	Fiscal Year				
	2007-08	2008-09	2009-10	2010-11	2011-12
FTE	6,165	5,973	5,819	5,626	5,624

The District operated 13 schools during the 2011-12 school year, including 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 Project, Inc., and Nature Coast Middle School, Inc.

The District is facing uncertain economic times and must adapt to the new realities. The impact of the continued decline in property values 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, 2012

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	\$ 10,032,677.22	\$ 289,973.00
Cash with Fiscal Agent	521,750.64	
Investments	61,575.58	
Accounts Receivable	6,680.98	23,413.00
Deposits Receivable		880.00
Due from Other Agencies	698,476.00	
Prepaid Items		4,860.00
Inventories	128,681.95	
Capital Assets:		
Nondepreciable Capital Assets	1,656,912.70	69,505.00
Depreciable Capital Assets, Net	57,487,804.14	702,514.00
TOTAL ASSETS	\$ 70,594,559.21	\$ 1,091,145.00
LIABILITIES		
Salaries and Benefits Payable	\$ 451,499.26	\$ 35,806.00
Accounts Payable	371,297.06	14,470.00
Construction Contracts Payable	23,986.63	
Due to Other Agencies	747.00	
Deferred Revenue	71,457.44	
Matured Certificates of Participation Payable	385,000.00	
Matured Interest Payable	136,750.64	
Long-Term Liabilities:		
Portion Due Within One Year	1,090,610.41	18,872.00
Portion Due After One Year	12,504,896.64	276,577.00
Total Liabilities	15,036,245.08	345,725.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	49,749,716.84	476,570.00
Restricted for:		
State Required Carryover Programs	87,404.18	
Debt Service	41,376.91	
Capital Projects	7,638,535.43	
Food Service	413,029.14	
Fuel Tax Refund	277,306.88	
Other Purposes		36,784.00
Unrestricted	(2,649,055.25)	232,066.00
Total Net Assets	55,558,314.13	745,420.00
TOTAL LIABILITIES AND NET ASSETS	\$ 70,594,559.21	\$ 1,091,145.00

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, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 27,603,834.63	\$ 79,551.47	\$	\$
Pupil Personnel Services	1,986,572.74			
Instructional Media Services	643,150.76			
Instruction and Curriculum Development Services	1,327,823.82			
Instructional Staff Training Services	1,515,135.91			
Instruction Related Technology	195,260.43			
School Board	236,646.69			
General Administration	1,193,072.66			
School Administration	3,150,250.53			
Facilities Acquisition and Construction	422,836.63			144,536.82
Fiscal Services	412,284.34			
Food Services	2,527,613.36	389,808.53	2,278,306.40	
Central Services	340,459.86			
Pupil Transportation Services	3,942,774.18	26,905.94		
Operation of Plant	3,524,948.65			
Maintenance of Plant	1,020,370.38			
Administrative Technology Services	576,953.61			
Unallocated Interest on Long-Term Debt	411,960.88			189,285.27
Unallocated Depreciation Expense*	2,712,929.35			
Total Primary Government	\$ 53,744,879.41	\$ 496,265.94	\$ 2,278,306.40	\$ 333,822.09
Component Units				
Charter Schools	\$ 1,606,760.00	\$ 14,353.00	\$ 49,210.00	\$ 73,189.00

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.

Net (Expense) Revenue and Changes in Net Assets		
	Primary Government	Component
	Governmental	Units
	Activities	
\$	(27,524,283.16)	\$
	(1,986,572.74)	
	(643,150.76)	
	(1,327,823.82)	
	(1,515,135.91)	
	(195,260.43)	
	(236,646.69)	
	(1,193,072.66)	
	(3,150,250.53)	
	(278,299.81)	
	(412,284.34)	
	140,501.57	
	(340,459.86)	
	(3,915,868.24)	
	(3,524,948.65)	
	(1,020,370.38)	
	(576,953.61)	
	(222,675.61)	
	(2,712,929.35)	
	(50,636,484.98)	
		(1,470,008.00)
	11,193,602.28	
	2,780,098.79	
	32,242,608.04	1,305,572.00
	10,697.29	173.00
	988,191.94	
	47,215,198.34	1,305,745.00
	(3,421,286.64)	(164,263.00)
	58,979,600.77	909,683.00
\$	55,558,314.13	\$ 745,420.00

**LEVY COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012**

	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	\$ 1,800,698.55	\$ 113,786.33	\$ 48,156.86
Cash with Fiscal Agent			
Investments	26,463.63		
Accounts Receivable	6,680.98		
Due from Other Funds	2,393.83		
Due from Other Agencies	427,069.48	53,940.92	30,746.80
Inventories			
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 2,263,306.47</u>	<u>\$ 167,727.25</u>	<u>\$ 78,903.66</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 393,065.21	\$ 51,673.88	\$ 6,760.17
Accounts Payable	258,898.17	93,401.23	3,975.32
Construction Contracts Payable			23,986.63
Due to Other Funds	120.16	2,319.12	
Due to Other Agencies	747.00		
Deferred Revenue	4,922.95	20,333.02	44,181.54
Matured Certificates of Participation Payable			
Matured Interest Payable			
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>657,753.49</u>	<u>167,727.25</u>	<u>78,903.66</u>
Fund Balances:			
Nonspendable:			
Inventories			
Restricted for:			
State Required Carryover Programs	87,404.18		
Debt Service			
Capital Projects			
Food Service			
Fuel Tax Refund	277,306.88		
Total Restricted Fund Balance	<u>364,711.06</u>		
Assigned to:			
Capital Projects			
Local Programs	102,330.33		
Purchase Commitments	103,407.58		
Total Assigned Fund Balance	<u>205,737.91</u>		
Unassigned Fund Balance	<u>1,035,104.01</u>		
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>1,605,552.98</u>		
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,263,306.47</u>	<u>\$ 167,727.25</u>	<u>\$ 78,903.66</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
\$	\$	\$	\$
521,750.64	7,106,689.81	963,345.67	10,032,677.22
	353.46	34,758.49	521,750.64
	45.45	1,699.10	61,575.58
	26,703.81	160,014.99	6,680.98
		128,681.95	4,138.38
			698,476.00
			128,681.95
<u>\$ 521,750.64</u>	<u>\$ 7,133,792.53</u>	<u>\$ 1,288,500.20</u>	<u>\$ 11,453,980.75</u>
\$	\$	\$	\$
	10,529.35	4,492.99	451,499.26
		1,699.10	371,297.06
		2,019.93	23,986.63
385,000.00			4,138.38
136,750.64			747.00
			71,457.44
			385,000.00
			136,750.64
<u>521,750.64</u>	<u>10,529.35</u>	<u>8,212.02</u>	<u>1,444,876.41</u>
		128,681.95	128,681.95
		41,376.91	87,404.18
	7,123,263.18	515,272.25	41,376.91
		284,347.19	7,638,535.43
			284,347.19
			277,306.88
	<u>7,123,263.18</u>	<u>840,996.35</u>	<u>8,328,970.59</u>
		310,609.88	310,609.88
			102,330.33
			103,407.58
		<u>310,609.88</u>	<u>516,347.79</u>
			<u>1,035,104.01</u>
	7,123,263.18	1,280,288.18	10,009,104.34
<u>\$ 521,750.64</u>	<u>\$ 7,133,792.53</u>	<u>\$ 1,288,500.20</u>	<u>\$ 11,453,980.75</u>

**LEVY COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Total Fund Balances - Governmental Funds **\$ 10,009,104.34**

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. 59,144,716.84

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

Certificates of Participation Payable	\$ 6,560,000.00	
Bonds Payable	2,835,000.00	
Compensated Absences Payable	3,441,395.05	
Other Postemployment Benefits Payable	759,112.00	(13,595,507.05)

Total Net Assets - Governmental Activities **\$ 55,558,314.13**

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, 2012

	General Fund	Special Revenue - Other Federal Programs Fund	Special Revenue - Federal Economic Stimulus Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 55,858.67	\$	\$
Federal Through State and Local	206,803.97	5,192,649.66	1,590,289.06
State	24,639,540.87		
Local:			
Property Taxes	11,193,602.28		
Impact Fees			
Charges for Services - Food Service			
Miscellaneous	571,503.66		
Total Local Revenues	11,765,105.94		
Total Revenues	36,667,309.45	5,192,649.66	1,590,289.06
Expenditures			
Current - Education:			
Instruction	23,214,739.44	3,384,318.11	812,811.89
Pupil Personnel Services	1,860,278.98	86,511.92	25,367.25
Instructional Media Services	634,918.36	759.90	2,251.20
Instruction and Curriculum Development Services	597,065.25	548,627.52	172,516.24
Instructional Staff Training Services	300,404.59	907,175.44	297,416.16
Instruction Related Technology	153,319.21	40,499.29	
School Board	235,255.92		
General Administration	1,062,795.80	118,328.94	8,434.72
School Administration	3,105,839.41	8,077.20	9,623.88
Facilities Acquisition and Construction	14,289.72		5,697.00
Fiscal Services	408,830.70		
Food Services			
Central Services	317,994.11	19,707.69	
Pupil Transportation Services	3,567,261.60	15,826.63	3,573.30
Operation of Plant	3,510,655.54	573.73	
Maintenance of Plant	1,005,319.24		
Administrative Technology Services	555,439.87		19,306.00
Fixed Capital Outlay:			
Facilities Acquisition and Construction	52,617.90		23,986.63
Other Capital Outlay	35,059.62	62,243.29	209,304.79
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	40,632,085.26	5,192,649.66	1,590,289.06
Excess (Deficiency) of Revenues Over Expenditures	(3,964,775.81)		
Other Financing Sources (Uses)			
Transfers In	1,590,184.70		
Insurance Loss Recoveries	280,392.53		
Transfers Out	(50,090.25)		
Total Other Financing Sources (Uses)	1,820,486.98		
Net Change in Fund Balances	(2,144,288.83)		
Fund Balances, Beginning	3,749,841.81		
Fund Balances, Ending	\$ 1,605,552.98	\$ 0.00	\$ 0.00

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
\$	\$	\$	\$
		2,233,945.62	55,858.67
		967,338.55	9,223,688.31
	2,780,098.79		25,606,879.42
		69,277.63	13,973,701.07
		389,808.53	69,277.63
	35,350.33	117,132.62	389,808.53
	<u>2,815,449.12</u>	<u>576,218.78</u>	<u>723,986.61</u>
	<u>2,815,449.12</u>	<u>576,218.78</u>	<u>15,156,773.84</u>
	<u>2,815,449.12</u>	<u>3,777,502.95</u>	<u>50,043,200.24</u>
			27,411,869.44
			1,972,158.15
			637,929.46
			1,318,209.01
			1,504,996.19
			193,818.50
			235,255.92
			1,189,559.46
	169,093.79	233,756.12	3,123,540.49
		2,516,515.97	422,836.63
			408,830.70
			2,516,515.97
			337,701.80
			3,586,661.53
			3,511,229.27
			1,005,319.24
			574,745.87
		205,903.89	282,508.42
	676,917.84	53,301.68	1,036,827.22
385,000.00	70,824.15	200,000.00	655,824.15
<u>273,501.28</u>	<u>4,403.85</u>	<u>134,055.75</u>	<u>411,960.88</u>
<u>658,501.28</u>	<u>921,239.63</u>	<u>3,343,533.41</u>	<u>52,338,298.30</u>
<u>(658,501.28)</u>	<u>1,894,209.49</u>	<u>433,969.54</u>	<u>(2,295,098.06)</u>
658,501.28	50,090.25		2,298,776.23
	(1,882,366.40)	(366,319.58)	280,392.53
	<u>(1,832,276.15)</u>	<u>(366,319.58)</u>	<u>(2,298,776.23)</u>
<u>658,501.28</u>	<u>(1,832,276.15)</u>	<u>(366,319.58)</u>	<u>280,392.53</u>
	61,933.34	67,649.96	(2,014,705.53)
	<u>7,061,329.84</u>	<u>1,212,638.22</u>	<u>12,023,809.87</u>
<u>\$ 0.00</u>	<u>7,123,263.18</u>	<u>\$ 1,280,288.18</u>	<u>\$ 10,009,104.34</u>

**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, 2012**

Net Change in Fund Balances - Governmental Funds \$ (2,014,705.53)

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

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

Fixed Capital Outlay - Facilities Acquisition and Construction	\$ 282,508.42		
Fixed Capital Outlay - Other Capital Outlay	1,036,827.22		
Depreciation Expense	<u>(3,056,016.80)</u>		(1,736,681.16)

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 fiscal year:

Certificates of Participation Payments	\$ 385,000.00		
Bonds Payable Payments	200,000.00		
Capital Lease Payments	<u>70,824.15</u>		655,824.15

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current fiscal year. (54,792.10)

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. (270,932.00)

Change in Net Assets - Governmental Activities \$ (3,421,286.64)

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, 2012**

	Agency Funds
ASSETS	
Cash and Cash Equivalents	\$ 660,412.35
Accounts Receivable	451.00
TOTAL ASSETS	\$ 660,863.35
LIABILITIES	
Accounts Payable	\$ 17,951.00
Deposits Payable	240,509.35
Internal Accounts Payable	402,403.00
TOTAL LIABILITIES	\$ 660,863.35

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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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 Project, Inc., and Nature Coast Middle School, Inc.

The charter schools are separate 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, 2012, which are available 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.

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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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 of the District's certificates of participation that have been issued for capital construction.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, 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 several schools in connection with school, student athletic, class, and club activities; to account for the activities of the medical and dependent reimbursement program, which is administered by a third-party administrator and available to employees through the District's cafeteria plan; and to account for the health reimbursement arrangement, which is administered by a third-party administrator and available to employees.

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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

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

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.83481105 at June 30, 2012. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME,

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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.

Inventories. Inventories consist of expendable supplies held for consumption in the course of District's 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. Donated assets are recorded at fair value at the date of donation.

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

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

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

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

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability 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.

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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 the 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 the 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 categorical and earmarked educational program resources.

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.

The Board adopted the 2011 tax levy on September 6, 2011. 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.

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

Budgetary Information. 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 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, 2012**

3. INVESTMENTS

As of June 30, 2012, the District has the following investments and maturities:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	38 Day Average	\$ 18,353.85
Fund B	5.73 Year Average	29,654.71
Debt Service Accounts	6 Months	31,920.87
Total Investments, Reporting Entity		<u>\$ 79,929.43</u>

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

➤ Interest Rate Risk

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

Florida PRIME had a weighted average days to maturity (WAM) of 38 days at June 30, 2012. 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. At June 30, 2012, based on expected future cash flows, the WAL of Fund B is estimated at 5.73 years. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

➤ Credit Risk

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

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

As of June 30, 2012, the District's investment in Florida PRIME is rated AAAM by Standard & Poor's. Fund B is unrated.

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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	\$ 1,632,926.07	\$	\$	\$ 1,632,926.07
Construction in Process		23,986.63		23,986.63
Total Capital Assets Not Being Depreciated	1,632,926.07	23,986.63		1,656,912.70
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	4,698,562.55	139,496.79		4,838,059.34
Buildings and Fixed Equipment	83,041,767.66	83,985.00		83,125,752.66
Furniture, Fixtures, and Equipment	6,019,035.96	221,516.02	1,800.00	6,238,751.98
Motor Vehicles	7,035,806.50	648,541.00	835,028.20	6,849,319.30
Property Under Capital Lease	509,551.59		509,551.59	
Computer Software	779,903.90	711,361.79		1,491,265.69
Total Capital Assets Being Depreciated	102,084,628.16	1,804,900.60	1,346,379.79	102,543,148.97
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	2,113,802.35	195,733.11		2,309,535.46
Buildings and Fixed Equipment	28,486,471.08	2,086,094.20		30,572,565.28
Furniture, Fixtures, and Equipment	5,615,873.21	240,766.73	1,800.00	5,854,839.94
Motor Vehicles	5,725,865.75	365,244.73	835,028.20	5,256,082.28
Property Under Capital Lease	203,820.64		203,820.64	
Computer Software	690,323.20	371,998.67		1,062,321.87
Total Accumulated Depreciation	42,836,156.23	3,259,837.44	1,040,648.84	45,055,344.83
Total Capital Assets Being Depreciated, Net	59,248,471.93	(1,454,936.84)	305,730.95	57,487,804.14
Governmental Activities Capital Assets, Net	\$ 60,881,398.00	\$ (1,430,950.21)	\$ 305,730.95	\$ 59,144,716.84

Note: During the 2011-12 fiscal year, property under capital lease was paid off, and the asset and related accumulated depreciation were reclassified as computer software. As a result, capital asset additions exceed fixed capital outlay expenditures on the statement of revenues, expenditures, and changes in fund balances by \$509,551.59, and additions to accumulated depreciation exceed depreciation expense on the statement of activities by \$203,820.64.

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 335,731.70
Maintenance of Plant	7,355.75
Unallocated	2,712,929.35
Total Depreciation Expense - Governmental Activities	\$ 3,056,016.80

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

5. CERTIFICATES OF PARTICIPATION

The District entered into a financing arrangement which was characterized as a lease-purchase agreement, with the 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 3.50 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>
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	659,318.76	460,000.00	199,318.76
2018-2022	3,295,593.80	2,590,000.00	705,593.80
2023-2024	1,975,881.26	1,820,000.00	155,881.26
Total Minimum Lease Payments	<u>\$ 8,574,611.38</u>	<u>\$ 6,560,000.00</u>	<u>\$ 2,014,611.38</u>

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

6. BONDS PAYABLE

Bonds payable at June 30, 2012, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2009A, Refunding	\$ 95,000	4.00 - 4.75	2019
Series 2005B, Refunding	925,000	5.0	2018
District Revenue Bonds:			
Series 2005	<u>1,815,000</u>	3.375 - 4.500	2031
Total Bonds Payable	<u>\$ 2,835,000</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)7.a., Florida Statutes (2001), now Section 212.20(6)(d)6.a., Florida Statutes (2011)). The annual distribution is remitted by the Florida Department of Financial Services to the District. These funds accrue annually to the Levy County District School Board after the first \$12,000 has been paid to the Levy County Board of Commissioners pursuant to Chapter 65-217, Laws of Florida. All such money not needed for the payment of principal and interest, and handling charges becoming due during the current fiscal year may be used for any lawful purpose. The District is not required to retain excess sinking fund balances or reserves over the amounts needed to make the required fiscal year payments.

The District has pledged a combined total of \$2,655,250.03 of sales tax revenues in connection with the Series 2005, District Revenue Bonds, described above. During the 2011-12 fiscal year, the District recognized sales tax revenues totaling \$434,500 and expended \$141,368.76 (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, 2012**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2012, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
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	189,250.00	170,000.00	19,250.00
2018-2019	227,000.00	215,000.00	12,000.00
Total State School Bonds	1,208,850.00	1,020,000.00	188,850.00
District Revenue Bonds:			
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	139,181.25	75,000.00	64,181.25
2018-2022	697,462.50	425,000.00	272,462.50
2023-2027	698,950.00	525,000.00	173,950.00
2028-2031	557,025.00	510,000.00	47,025.00
Total District Revenue Bonds	2,655,250.03	1,815,000.00	840,250.03
Total	\$ 3,864,100.03	\$ 2,835,000.00	\$ 1,029,100.03

7. 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					
Obligations Under Capital Lease	\$ 70,824.15	\$	\$ 70,824.15	\$	\$
Certificates of Participation Payable	6,945,000.00		385,000.00	6,560,000.00	400,000.00
Bonds Payable	3,035,000.00		200,000.00	2,835,000.00	215,000.00
Compensated Absences Payable	3,386,602.95	530,402.51	475,610.41	3,441,395.05	475,610.41
Other Postemployment Benefits Payable	488,180.00	541,679.00	270,747.00	759,112.00	
Total Governmental Activities	\$ 13,925,607.10	\$ 1,072,081.51	\$ 1,402,181.56	\$ 13,595,507.05	\$ 1,090,610.41

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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

8. 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	\$ 2,393.83	\$ 120.16
Special Revenue - Other Federal Programs		2,319.12
Capital Projects - Local Capital Improvement	45.45	
Nonmajor Governmental	1,699.10	1,699.10
Total	<u>\$ 4,138.38</u>	<u>\$4,138.38</u>

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 1,590,184.70	\$ 50,090.25
Debt Service - Other	658,501.28	
Capital Projects - Local Capital Improvement	50,090.25	1,882,366.40
Nonmajor Governmental		366,319.58
Total	<u>\$ 2,298,776.23</u>	<u>\$ 2,298,776.23</u>

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

9. FUND BALANCE REPORTING

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

➤ **Nonspendable**

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.

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

➤ **Restricted**

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**

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 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, 2012.

➤ **Assigned**

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 Director of Finance as authorized by the Board and not included in other categories.

➤ **Unassigned**

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.

10. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue sources for the 2011-12 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 18,326,271.00
Categorical Educational Program - Class Size Reduction	5,766,546.00
Racing Commission Funds	434,500.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	232,897.53
School Recognition	160,267.00
Charter School Capital Outlay	73,188.34
Food Service Supplement	45,299.78
Mobile Home License Tax	15,056.76
Miscellaneous	552,853.01
Total	\$ 25,606,879.42

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, 2012**

11. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2011 tax roll for the 2011-12 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.306	\$ 10,071,710.47
Basic Discretionary Local Effort	0.748	1,419,834.04
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	2,847,260.78
Total	<u>7.554</u>	<u>\$ 14,338,805.29</u>

12. FLORIDA RETIREMENT SYSTEM

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

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

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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Elected County Officers	3.00	11.14
Florida Retirement System, Senior Management Service	3.00	6.27
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
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 the Investment Plan.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions, including employee contributions, for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$2,705,917.59, \$3,003,891.87, and \$2,045,287.10, respectively, which were equal to the required contributions for each fiscal year.

There were 97 District participants in the Investment Plan during the 2011-12 fiscal year. The District's contributions, including employee contributions, to the Investment Plan totaled \$240,137.01, which was equal to the required contribution for the 2011-12 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

13. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

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

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 78 retirees received other postemployment benefits. The District provided required contributions of \$270,747 toward the annual OPEB cost, net of retiree contributions totaling \$493,886, which represents 2.3 percent of covered payroll.

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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Description	Amount
Normal Cost (service cost for one year)	\$ 287,945
Amortization of Unfunded Actuarial Accrued Liability	<u>252,288</u>
Annual Required Contribution	540,233
Interest on Net OPEB Obligation	19,527
Adjustment to Annual Required Contribution	<u>(18,081)</u>
Annual OPEB Cost (Expense)	541,679
Contribution Toward the OPEB Cost	<u>(270,747)</u>
Increase in Net OPEB Obligation	270,932
Net OPEB Obligation, Beginning of Year	<u>488,180</u>
Net OPEB Obligation, End of Year	<u><u>\$ 759,112</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2012, and the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	\$ 253,989	60.9%	\$ 195,932
2010-11	519,011	43.7%	488,180
2011-12	541,679	50.0%	759,112

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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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

The District's OPEB actuarial valuation as of October 1, 2010, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2012, and to estimate the District's 2011-12 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 for the 2011-12 fiscal 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, 2012, was 26 years.

14. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

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

The following is a schedule of encumbrances at June 30, 2012:

Major Funds					
General	Special Revenue - Other Federal Programs	Special Revenue - Federal Economic Stimulus	Capital Projects - Local Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<u>\$103,407.58</u>	<u>\$161,751.91</u>	<u>\$85,387.72</u>	<u>\$ 25,279.06</u>	<u>\$ 26,374.07</u>	<u>\$402,200.34</u>

Construction Contracts. Encumbrances include the following major construction contract commitment at fiscal year-end:

Project	Contract Amount	Completed to Date	Balance Committed
Williston High School Greenhouse	<u>\$ 95,946.50</u>	<u>\$ 23,986.63</u>	<u>\$ 71,959.87</u>

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

15. RISK MANAGEMENT PROGRAMS

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

Settled claims resulting from the risks described above have not exceeded commercial insurance 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.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

**LEVY COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2012**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 35,000.00	\$ 54,596.98	\$ 55,858.67	\$ 1,261.69
Federal Through State and Local	50,000.00	205,062.97	206,803.97	1,741.00
State	25,254,634.00	24,635,691.82	24,639,540.87	3,849.05
Local:				
Property Taxes	11,074,227.00	11,160,386.67	11,193,602.28	33,215.61
Miscellaneous	511,822.00	577,585.91	571,503.66	(6,082.25)
Total Local Revenues	11,586,049.00	11,737,972.58	11,765,105.94	27,133.36
Total Revenues	36,925,683.00	36,633,324.35	36,667,309.45	33,985.10
Expenditures				
Current - Education:				
Instruction	22,838,913.90	23,214,864.06	23,214,739.44	124.62
Pupil Personnel Services	2,022,935.50	1,867,101.50	1,860,278.98	6,822.52
Instructional Media Services	773,315.24	653,915.24	634,918.36	18,996.88
Instruction and Curriculum Development Services	629,959.90	609,959.90	597,065.25	12,894.65
Instructional Staff Training Services	606,578.66	350,739.66	300,404.59	50,335.07
Instruction Related Technology	189,984.00	184,994.49	153,319.21	31,675.28
School Board	250,385.50	250,385.50	235,255.92	15,129.58
General Administration	1,154,790.50	1,063,394.11	1,062,795.80	598.31
School Administration	2,676,302.50	3,111,365.76	3,105,839.41	5,526.35
Facilities Acquisition and Construction	75,307.00	50,325.76	14,289.72	36,036.04
Fiscal Services	447,379.00	418,379.00	408,830.70	9,548.30
Central Services	332,119.00	334,625.00	317,994.11	16,630.89
Pupil Transportation Services	3,461,965.00	3,567,570.00	3,567,261.60	308.40
Operation of Plant	3,706,912.80	3,525,912.80	3,510,655.54	15,257.26
Maintenance of Plant	1,027,555.50	1,013,555.50	1,005,319.24	8,236.26
Administrative Technology Services	545,641.00	564,836.37	555,439.87	9,396.50
Fixed Capital Outlay:				
Facilities Acquisition and Construction		52,617.90	52,617.90	
Other Capital Outlay		35,059.62	35,059.62	
Debt Service:				
Principal	2,500.00	2,500.00		2,500.00
Total Expenditures	40,742,545.00	40,872,102.17	40,632,085.26	240,016.91
Excess (Deficiency) of Revenues Over Expenditures	(3,816,862.00)	(4,238,777.82)	(3,964,775.81)	274,002.01
Other Financing Sources (Uses)				
Transfers In	1,736,379.00	1,590,184.70	1,590,184.70	
Insurance Loss Recoveries		262,984.59	280,392.53	17,407.94
Transfers Out	(100,000.00)	(50,090.25)	(50,090.25)	
Total Other Financing Sources (Uses)	1,636,379.00	1,803,079.04	1,820,486.98	17,407.94
Net Change in Fund Balances	(2,180,483.00)	(2,435,698.78)	(2,144,288.83)	291,409.95
Fund Balances, Beginning	3,749,841.81	3,749,841.81	3,749,841.81	
Fund Balances, Ending	\$ 1,569,358.81	\$ 1,314,143.03	\$ 1,605,552.98	\$ 291,409.95

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)
\$ 5,046,333.00	\$ 6,458,756.37	\$ 5,192,649.66	\$ (1,266,106.71)	\$ 1,624,969.48	\$ 2,124,039.36	\$ 1,590,289.06	\$ (533,750.30)
5,046,333.00	6,458,756.37	5,192,649.66	(1,266,106.71)	1,624,969.48	2,124,039.36	1,590,289.06	(533,750.30)
3,474,689.05	4,283,639.16	3,384,318.11	899,321.05	1,171,628.59	905,332.76	812,811.89	92,520.87
179,849.41	132,149.07	86,511.92	45,637.15	10,096.00	69,615.33	25,367.25	44,248.08
8,696.43	8,696.43	759.90	7,936.53		2,251.20	2,251.20	
357,666.60	605,054.37	548,627.52	56,426.85	11,336.00	211,258.92	172,516.24	38,742.68
745,915.58	909,168.55	907,175.44	1,993.11	372,820.04	370,877.65	297,416.16	73,461.49
46,298.15	64,561.47	40,499.29	24,062.18				
132,058.26	187,445.66	118,328.94	69,116.72	9,066.71	13,441.45	8,434.72	5,006.73
1,983.02	8,083.02	8,077.20	5.82	19,022.14	19,022.14	9,623.88	9,398.26
	62,390.00		62,390.00	30,000.00	264,089.12	5,697.00	258,392.12
32,673.37	28,429.49	19,707.69	8,721.80				
18,113.13	106,322.13	15,826.63	90,495.50		14,859.37	3,573.30	11,286.07
	573.73	573.73					
				1,000.00	20,000.00	19,306.00	694.00
					23,986.63	23,986.63	
48,390.00	62,243.29	62,243.29			209,304.79	209,304.79	
5,046,333.00	6,458,756.37	5,192,649.66	1,266,106.71	1,624,969.48	2,124,039.36	1,590,289.06	533,750.30
\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (1)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(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%

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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

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 cost method to the entry age normal cost 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 related to life insurance benefits was not included in the prior valuation.
- The October 1, 2010, valuation uses retirement rates from the July 1, 2009, Florida Retirement System 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, 2012**

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	\$ 193,195.68	\$
National School Lunch Program	10.555	300, 350	668,673.88	
Summer Food Service Program for Children	10.559	323	6,009.66	
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	321	252,670.50	
National School Lunch Program	10.555 (2)	300, 350	1,065,362.99	
Summer Food Service Program for Children	10.559	323	4,826.70	
Total United States Department of Agriculture			2,190,739.41	
United States Department of Education:				
Indirect:				
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	2,440,759.97	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 226	118,786.96	
Total Title I, Part A Cluster			2,559,546.93	
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	1,513,097.13	6,662.32
Special Education - Preschool Grants	84.173	267	39,856.95	
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	227,768.69	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	13,544.79	
University of South Florida:				
Special Education - Grants to States	84.027	None	2,400.76	
Marion County District School Board:				
Special Education - Grants to States	84.027	None	14,616.55	
Special Education - Preschool Grants	84.173	None	110.00	
Putnam County District School Board:				
Special Education - Grants to States	84.027	None	100,732.52	
Total Special Education Cluster			1,912,127.39	6,662.32
School Improvement Grants Cluster:				
Florida Department of Education:				
School Improvement Grants	84.377	126	155,324.16	
ARRA - School Improvement Grants, Recovery Act	84.388	126	718,088.39	
Total School Improvement Grants Cluster			873,412.55	
Florida Department of Education:				
Career and Technical Education - Basic Grants to States	84.048	161	104,862.91	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	9,107.88	
Twenty-First Century Community Learning Centers	84.287	244	93,657.27	
Education Technology State Grants	84.318	122	48,390.30	
Transition to Teaching	84.350	227	76,905.81	
Rural Education	84.358	110	125,886.90	
English Language Acquisition Grants	84.365	102	27,431.87	
Improving Teacher Quality State Grants	84.367	224	443,899.24	
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RD211, RL111, RS611	495,825.23	
Education Jobs Fund	84.410	541	16,275.00	
Putnam County District School Board:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	None	494.30	
Alachua County District School Board:				
Migrant Education - State Grant Program	84.011	None	10,335.99	
Total United States Department of Education			6,798,159.57	6,662.32
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	55,858.67	
Total Expenditures of Federal Awards			\$ 9,044,757.65	\$ 6,662.32

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

(2) Noncash Assistance - National School Lunch Program. Includes \$225,113.40 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, 2012, 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 includes 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.

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is 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
March 11, 2013



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE 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 *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, 2012. 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 the response.

Restricted Purpose Relating to Testing of Internal Control Over Compliance

The purpose of the provisions of this report addressing internal control over compliance is solely to describe the scope of our testing of internal control over compliance with the requirements that could have a direct and material effect on a major Federal program, and the results of that testing, and not to provide an opinion on the effectiveness of internal control over compliance. These provisions of our report are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Circular A-133 in considering the entity's internal control over compliance. Accordingly, these provisions of our report are not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
March 11, 2013

**LEVY COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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)?	Yes
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?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555. and 10.559); School Improvement Grants Cluster (CFDA Nos. 84.377 and 84.388 – ARRA); and ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395 – ARRA)
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**LEVY COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

ADDITIONAL MATTERS

Finding No. 1: Financial Condition

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

Section 1011.051, Florida Statutes, requires that the District maintain a General Fund ending fund balance that is sufficient to address normal contingencies. If at any time the portion of the General Fund's ending fund balance not classified as restricted, committed, or nonspendable (i.e., the total assigned and unassigned fund balances) in the District's approved operating budget as a percent of General Fund total revenue (i.e., financial condition ratio) is projected to fall below 3 percent during the fiscal year, the Superintendent must provide written notification to the Board and the Florida Department of Education (FDOE). Further, if at any time the financial condition ratio is projected to fall below 2 percent, the Board should have a reasonable plan to avoid a financial emergency, or the FDOE will appoint a financial emergency board to implement measures to assist the Board in resolving the financial emergency. Also, Section 218.503(3), Florida Statutes, provides that the FDOE may determine whether a school board needs State assistance to resolve or prevent a financial emergency condition.

During the 2011-12 fiscal year, the District's General Fund total assigned and unassigned fund balances declined 63 percent from \$3.34 million to \$1.24 million, representing a reduction of \$2.1 million. At June 30, 2012, this fund balance represented 3.4 percent of General Fund total revenues. District personnel indicated that the level of assigned and unassigned fund balance in the General Fund declined mainly because expenditures remained relatively constant and there were decreases in Federal economic stimulus funding of \$3.2 million, property tax revenue of \$1.8 million, and State of Florida Education and Finance Program funding of \$1.27 million.

As of December 31, 2012, the District projected the General Fund total assigned and unassigned fund balances at June 30, 2013, would decline to 2.85 percent of General Fund total budgeted revenues. To comply with Section 1011.051, Florida Statutes, the District notified the FDOE of the District's fiscal recovery plan in a letter dated January 25, 2013. The fiscal recovery plan projected reduced energy costs of \$100,000 to increase the General Fund total assigned and unassigned fund balances above 3 percent of General Fund total budgeted revenues for the 2012-13 fiscal year. In these circumstances, the District has significantly less resources available for emergencies and unforeseen situations than other school districts of comparable size.

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

Finding No. 2: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires each school board to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment. This law also requires that electronic transactions comply with the provisions of Chapter 668, Florida Statutes, which discusses the use of electronic signatures in electronic transactions between school boards and other entities.

State Board of Education (SBE) Rule 6A-1.0012, Florida Administrative Code (FAC), authorizes the District to make electronic funds transfers (EFTs) provided adequate internal control measures are established and maintained, such as a written agreement with a financial institution. An agreement must, among other things, contain the title of the bank account subject to the agreements and the manual signatures of the Board chair, superintendent, and employees authorized to initiate EFTs. SBE Rule 6A-1.0012, FAC, also requires the District to maintain documentation signed by the initiator and authorizer of EFTs to confirm the authenticity of EFTs. In addition, Board policy requires that the Superintendent develop and the Board approve procedures to electronically transmit District funds.

During the 2011-12 fiscal year, the District regularly used EFTs to make electronic disbursements for direct deposit of employee pay and other payroll-related activities, such as taxes withheld and matching contributions, Florida Retirement System contributions, group annuity salary deferrals, deferred compensation, and child support payments. According to District records, cash and cash equivalents, and investments, totaling \$10 million were available for electronic transfer at June 30, 2012. The Board established agreements with two banks and with the State Board of Administration to provide various services, such as EFTs.

While the District used informal processes, such as use of EFT control documents that identified employees who initiated and authorized EFTs, the Board had not adopted written policies prescribing the accounting and control procedures for EFTs, including the use of electronic signatures, contrary to Section 1010.11 and Chapter 668, Florida Statutes. The District had implemented controls that compensated, in part, for the lack of Board approved policies and procedures, such as management review of EFT transactions and independent bank reconciliations, and our tests did not disclose any EFTs for unauthorized purposes; however, the lack of specific guidance in the form of written policies and procedures increases the risk that electronic transactions will not be executed in accordance with Board directives and the provisions of Chapter 668, Florida Statutes.

Recommendation: The Board should adopt written policies and procedures related to EFTs, including the use of electronic signatures.

Finding No. 3: 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)4.b., Florida Statutes, provides that, for instructional personnel, the Board must 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 established a documented process to identify the instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. Such a documented process could specify the factors to be

used as the basis for determining differentiated pay, the process for applying the factors, and the individuals responsible for making such determinations.

The 2011-12 fiscal year salary schedule and union contract for instructional personnel provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. The instructional personnel salary schedule and union contract provided salary supplements for additional responsibilities beyond the standard workday, such as supplements for coaching athletic activities, extra duty supplements, and supervising student clubs. Also, the salary schedule and union contract provided differentiated pay for school demographics, such as teachers and teacher aides at the District's alternative schools and for level of job performance difficulties for certain peer teachers. However, neither the salary schedule nor union contract evidenced consideration of differentiated pay based on critical shortage areas for instructional personnel, contrary to Section 1012.22(1)(c)4.b., Florida Statutes.

Without a Board-established documented process for identifying the basis for differentiated pay, the District may be limited in its ability to demonstrate that differentiated pay factors are consistently considered and applied. Similar findings were noted in report Nos. 2011-096 and 2012-118.

Recommendation: The Board should establish a documented process for ensuring that differentiated pay of instructional personnel is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 4: Direct-Support Organization – Audit

Pursuant to Section 1001.453, Florida Statutes, a school board direct-support organization (DSO) must be a Florida nonprofit organization, approved by the Board to operate exclusively to receive, hold, invest, and administer property and to make expenditures to or for the benefit of District school and adult career and community education programs. Also, the Board is authorized to permit the DSO to use District property, facilities, and personal services, and a DSO with more than \$100,000 in expenditures or expenses must obtain a financial audit of its accounts and records. In addition, Section 1001.43(5), Florida Statutes, allows community use of school facilities, and Board policy requires the Board to enter into rental agreements to allow use of facilities. Such agreements typically establish the facility use fees and liability insurance responsibilities of the organizations that use District facilities.

During the 2001-02 fiscal year, the Board approved the Levy County Schools Foundation, Inc. (Foundation), as a DSO. For the 2011-12 fiscal year, the Foundation reported expenses of \$137,486 to the Internal Revenue Service, consisting of \$55,129 in grants awarded to teachers for innovative and creative teaching programs, classroom supplies, and supporting curriculum; \$39,600 for scholarships to students for academic, civic and vocational excellence to continue their education; \$29,789 for salaries, payroll taxes, accounting, and office expenses; and \$12,968 of various other expenses. However, as of January 2013, the Foundation had not provided for the required financial audit.

District personnel indicated that the Foundation was not a DSO since scholarships are provided to graduating students to further their education in post-secondary institutions; however, the Board had not, as of January 2013, rescinded its prior approval of the Foundation as a DSO. Further, the District provided a classroom for office space and Internet use to the Foundation, without charge, and District records did not evidence a rental agreement to establish the facility use fees and liability insurance responsibilities. Given that the Foundation is a Board-approved DSO and the District allows the Foundation to use its facilities without a facility use agreement, District records did not evidence the basis upon which the Foundation was not required to provide for the audit required by Section 1001.453, Florida Statutes.

Recommendation: The District should ensure that the Foundation provides for the audit required by Section 1001.453, Florida Statutes, or the Board should rescind its approval of the Foundation as a DSO, in which case the District should enter into a facility use agreement with the Foundation.

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Agriculture

Pass-Through Entities: Florida Department of Agriculture and Consumer Services;
Florida Department of Education

Program: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: None

Allowable Costs/Cost Principles – Documentation of Time and Effort. United States Office of Management and Budget Circular A-87, Attachment A, Section C.1, provides that charges to Federal awards for salaries and wages be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official of the governmental unit. Where employees are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. These reports must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity for which each employee is compensated, and be signed by the employee.

For the 2011-12 fiscal year, the District reported Child Nutrition Cluster (CNC) program expenditures of \$2.2 million, of which salaries and benefits totaled \$1.5 million. Our review of salaries and benefits expenditures disclosed five employees were paid salaries and benefits of \$44,538 for CNC program responsibilities, and salaries and benefits of \$99,350 for bus driver and custodian responsibilities, for which the District, due to oversights, did not maintain personnel activity reports or equivalent documentation to evidence the actual time the employees devoted to CNC Program activities. Subsequent to our inquiry in December 2012, the employees signed confirmations to evidence that the salaries and benefits charged to the CNC program were correct.

Absent effective procedures for timely documenting actual time devoted to Federal program activities, there is an increased risk that personnel costs may be inappropriately charged to a Federal program.

Recommendation: The District should enhance its procedures to ensure that required documentation is maintained to support salary and benefit charges to Federal programs.

District Contact Person: Rebecca Tyson, Food Service Coordinator

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2012-118, except that current Finding No. 3 was also noted as Finding No. 2 in our report Nos. 2012-118 and 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, 2012*

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
2012-118		There were no prior year 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 25, 2013

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

Dear Mr. Martin,

Following is our response to the Preliminary and tentative finding results from the audit of the Levy County District School Board for the fiscal year ending June 30, 2012.

Finding 1: The District's total assigned and unassigned fund balance in the General Fund significantly decreased, resulting in the District submitting a fiscal recovery plan to the Florida Department of Education.

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

Finding 2: Controls over electronic funds transfers could be enhanced.

Corrective Action: The Board will adopt written policies and procedures related to EFTs, including the use of electronic signatures.

Finding 3 : The Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22 (1)(C) 4.b., Florida Statutes.

Corrective Action: The Board will establish a documented process for ensuring that differentiated pay of instructional personnel is appropriately identified on salary schedules, consistent with Section 1012.22(1) (c) 4.b., Florida Statutes.

Finding 4: The Levy County Educational Foundation, Inc., a direct support organization of the District, did not provide for a financial audit, contrary to Section 1001.453, Florida Statutes.

Corrective Action: The District will ensure that the Foundation provides for the audit required by Section 1001.453, Florida Statutes, or the Board will rescind its approval of the Foundation as a DSO, in which case the District will enter into a facility use agreement with the Foundation.



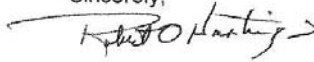
EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Federal Awards Finding No. 1 Required documentation to support personnel changes of Federal programs was not always maintained, contrary to Federal regulations.

Corrective Action: The District will enhance its procedures to ensure that required documentation is maintained to support Federal salary and benefit charges.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Robert O. Hastings", with a stylized flourish at the end.

Robert O. Hastings, Superintendent