

**LEVY COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2009



BOARD MEMBERS AND SUPERINTENDENTS

Levy County District School Board members and the Superintendents who served during the 2008-09 fiscal year are listed below:

	<u>District No.</u>
Cameron A. Asbell from 3-17-09	1
Billy R. Morrison to 12-31-08 (1)	1
Beth Davis, Vice Chair from 11-18-08	2
G. Frank Etheridge, Vice Chair to 11-17-08, Chair from 11-18-08	3
Paige S. Brookins, Chair to 11-17-08	4
Rick Turner	5

Robert O. Hastings, Superintendent from 11-18-08
Clifton V. Norris, Superintendent to 11-17-08

Note (1): Board member resigned, position remained vacant until new member was appointed by the Governor.

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

The audit team leader was John Davisson, CPA, and the audit was supervised by Philip B. Ciano, CPA. Please address inquiries regarding this report to 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) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

LEVY COUNTY DISTRICT SCHOOL BOARD
TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	10
Statement of Net Assets	10
Statement of Activities.....	12
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	20
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds	21
Notes to Financial Statements	22
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund.....	40
Schedule of Funding Progress – Other Postemployment Benefits Plan	41
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	42
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 <i>GOVERNMENT AUDITING STANDARDS</i>	43
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB <i>CIRCULAR A-133</i>	45
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	47
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS	50
EXHIBIT A - MANAGEMENT'S RESPONSE	51

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.

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, and Hazard Mitigation programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note a compliance finding as summarized below.

Federal Awards Finding No. 1: Contrary to registration requirements for Federal awards, the District did not timely register in the Central Contractor Registration database.

Audit Objectives and Scope

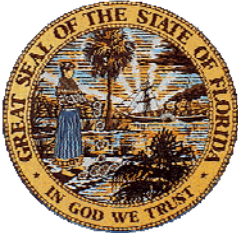
Our audit objectives were to determine whether the Levy County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- 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. 2009-139.

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, 2009. We obtained an understanding of the District's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's 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 41 percent of the assets and 70 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports 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, 2009, and the respective changes in financial position thereof for the 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.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 9) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 40 and 41) are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
February 22, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Levy County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2009. 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 pages 10 through 39.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2008-09 fiscal year are as follows:

- The District's total net assets increased \$6,032,190.16, which represents an 11.1 percent increase from the 2007-08 fiscal year.
- During the current year, General Fund expenditures exceeded revenues by \$1,206,522.94. This may be compared to last year's results in which General Fund expenditures exceeded revenues by \$188,058.61. Overall, after considering the effects of interfund transfers and insurance proceeds, the fund balance of the General Fund decreased from last year by \$245,156.63.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

In addition, the District presents two separate legal entities in this report as discretely presented component units: Whispering Winds Charter School, Inc., and Nature Coast Middle School, Inc. Although legally

separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

Fund Financial Statements

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

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

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

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 2009, compared to net assets as of June 30, 2008:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-09	6-30-08
Current and Other Assets	\$ 11,509,865.85	\$ 12,573,270.91
Capital Assets	65,055,123.48	62,512,802.71
Total Assets	76,564,989.33	75,086,073.62
Long-Term Liabilities	14,744,663.06	15,433,104.74
Other Liabilities	1,598,091.25	5,462,924.02
Total Liabilities	16,342,754.31	20,896,028.76
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	53,940,123.48	50,867,802.71
Restricted	8,151,381.57	4,979,903.36
Unrestricted Deficit	(1,869,270.03)	(1,657,661.21)
Total Net Assets	\$ 60,222,235.02	\$ 54,190,044.86

Total net assets increased \$6,032,190.16 over the previous 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 \$60,222,235.02 at the close of the fiscal year. By far, the largest portion of the District’s net assets (89.6 percent) reflects investment in capital assets (e.g., land, buildings and fixed equipment, and furniture, fixtures, and equipment) less any related outstanding debt used to acquire those assets. The District uses these assets to educate the students of Levy County; consequently, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District’s net assets represents resources that are subject to external restrictions such as debt service, capital projects, categorical programs, and other purposes. Compensated absences of \$3,533,112.06 and other postemployment benefits payable of \$96,551 reduce the remaining balance of the unrestricted portion 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 year ended June 30, 2009, and June 30, 2008, are as follows:

	Operating Results for the Year	
	Governmental Activities	
	6-30-09	6-30-08
Program Revenues:		
Charges for Services	\$ 638,016.94	\$ 719,015.29
Operating Grants and Contributions	3,939,134.24	3,862,419.93
Capital Grants and Contributions	5,896,032.02	924,498.08
General Revenues:		
Property Taxes, Levied for Operational Purposes	13,999,891.92	12,905,616.32
Property Taxes, Levied for Capital Projects	4,129,544.36	4,667,965.89
Grants and Contributions Not Restricted to Specific Programs	31,826,779.88	34,943,768.45
Unrestricted Investment Earnings	51,760.18	280,503.23
Miscellaneous	1,338,708.21	1,061,085.87
Total Revenues	61,819,867.75	59,364,873.06
Functions/Program Expenses:		
Instruction	28,617,043.27	29,036,335.06
Pupil Personnel Services	2,371,471.19	2,332,486.78
Instructional Media Services	943,413.01	937,389.87
Instruction and Curriculum Development Services	1,201,013.09	1,166,104.51
Instructional Staff Training Services	993,491.74	1,072,683.49
Instruction Related Technology	171,227.16	167,703.62
Board of Education	236,171.35	251,722.49
General Administration	1,252,815.33	1,251,350.82
School Administration	3,111,862.57	3,265,875.61
Facilities Acquisition and Construction	860,468.91	1,663,498.45
Fiscal Services	464,704.66	541,145.86
Food Services	2,717,563.55	2,779,092.71
Central Services	372,254.16	438,493.55
Pupil Transportation Services	4,146,451.06	4,490,086.44
Operation of Plant	3,722,370.50	3,835,036.32
Maintenance of Plant	1,026,545.90	1,092,002.89
Administrative Technology Services	552,981.91	619,885.26
Community Services	5,702.11	6,889.35
Interest on Long-Term Debt	471,177.37	514,531.01
Unallocated Depreciation Expense	2,548,948.75	2,653,820.34
Total Functions/Program Expenses	55,787,677.59	58,116,134.43
Increase in Net Assets	\$ 6,032,190.16	\$ 1,248,738.63

Governmental activities increased the District’s net assets by \$6,032,190.16. Significant changes in revenues and expenses that contributed to the change in net assets are as follows:

- Capital grants and contributions increased by \$4,971,533.94, primarily the result of increased Classrooms for Kids revenues, Public Education Capital Outlay new construction capital revenues, and the Federal Hazard Mitigation Grant.
- Function and program expenses decreased \$2,328,456.84 from the prior year. The decline in expenses was realized across most functions and was a result of cost cutting measures in response to declining funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The District receives funding for current education from local, State, and Federal sources. Revenue from local sources is primarily generated by ad valorem property taxes. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. Federal awards are received for the enhancement of various educational programs, including Title I, National School Lunch, and others. Funding received from local, State, and Federal sources totaled \$59,954,933.75. Local revenue collections were \$20,085,279.50 (33.5 percent), State receipts amounted to 32,880,135.41 (54.8 percent), and Federal collections were \$6,989,518.84 (11.7 percent).

General Fund expenditures and other uses were greater than revenues and other sources by \$245,156.63, reducing fund balance to \$2,192,892.88 at June 30, 2009. State revenues decreased \$3,388,348.71, primarily as a result of declining FEFP revenues. Local property taxes increased \$1,169,906.71, partially offsetting the decline in State funds. In addition, the District reduced expenditures by \$1,181,528.32 in response to the decrease in funding. The total fund balance represents 4.9 percent of revenues and other sources available to the District. Some of that balance is reserved for special purposes: State Categorical Programs, \$228,219.51, State fuel tax refunds, \$213,896.69, and encumbrances, \$30,380.13. An additional \$535,845.36 is designated for special programs, which leaves an unreserved, undesignated fund balance of \$1,184,551.19, or 2.7 percent of revenues and other sources available.

The Debt Service – Other Fund showed revenues and other sources totaling \$657,424.76, expenditures of \$657,424.76, and ended the year with a fund balance of \$4.72.

The Capital Projects – Public Education Capital Outlay Fund showed revenues and expenditures of \$1,869,318.28 and \$1,783,134.02, respectively, and ended the year with a fund balance of \$457,800.42. The expenditures were primarily for construction of classrooms at Chiefland Elementary School and for the maintenance and repair of District facilities.

The Capital Projects – Local Capital Improvement Fund showed revenues of \$4,153,346.08, and expenditures and other uses totaling \$1,767,581.61, and ended the year with a fund balance of \$6,347,234.64. The expenditures were primarily for the purpose of school-related data processing equipment, school buses, and debt service.

The Capital Projects – Other Fund showed revenues of \$2,533,215.48 and expenditures and other uses totaling \$2,062,194.49, and ended the year with a fund balance of \$513,360.06. Of the total fund balance, \$159,306.84 has been encumbered for specific projects. The expenditures were primarily for the construction of classrooms at Joyce Bullock Elementary School and Chiefland Elementary School, minor facility improvement projects, and capital outlay funds provided to the charter school.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the course of the 2008-09 fiscal year, the District amended its General Fund budget as needed. The District uses school-based budgeting for nonpersonnel, nonenergy, and nonfixed costs items. Schools are allocated budgets based on student enrollment.

For the General Fund, differences between the final budgeted revenues and final budgeted expenditures as compared to the original budget were insignificant. Similarly, the final revenues actually collected and the final expenditures

actually incurred were not significantly different from the original and final budgets. None of these differences are expected to have a significant effect on future services or liquidity.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of the 2008-09 fiscal year, the District has \$65,055,123.48 invested in capital assets, net of depreciation. The following table compares balances at June 30, 2009, with those of the prior year:

	Capital Assets (Net of Depreciation)	
	<u>06-30-09</u>	<u>06-30-08</u>
Land	\$ 1,501,926.07	\$ 1,501,926.07
Improvements Other than Buildings	1,150,979.34	1,262,421.29
Buildings and Fixed Equipment	55,208,151.50	57,204,373.90
Furniture, Fixtures, and Equipment	619,723.72	857,226.28
Motor Vehicles	1,341,017.74	1,580,141.80
Construction in Progress	5,128,575.99	
Computer Software	104,749.12	106,713.37
Total Capital Assets	<u>\$ 65,055,123.48</u>	<u>\$ 62,512,802.71</u>

Construction work on the new Joyce Bullock Elementary School and Chiefland Elementary School classroom additions was completed in July 2009, and the facilities were opened to receive students and staff for the 2009-10 school year.

Long-Term Debt

At June 30, 2009, the District has total long-term debt outstanding of \$11,115,000. This amount is comprised of \$3,435,000 of bonds payable and \$7,680,000 in certificates of participation payable. During the year, retirement of debt amounted to \$530,000.

Additional information on the District’s long-term debt can be found in Notes 6 through 8 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The primary source of revenue from the State for the School Board of Levy County is based on the number of full time equivalent students (FTE). A student count is taken twice a year, October and February. Outlined below is a five-year history of our FTE information:

	<u>Fiscal Year</u>				
	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
FTE	6,143	6,165	6,161	6,165	5,973

The District operated 13 schools during the 2008-09 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, it sponsored 2 charter schools, Whispering Winds Charter School, Inc., and Nature Coast Middle School, Inc.

The School Board of Levy County remains in stable financial condition, but we are facing uncertain economic times. The impact of pending budget reductions at the State level remains unknown at this time. We are a rural district and have unique issues concerning the operations of our 13 school sites. In light of uncertain economic times, we continually monitor our financial position. The School Board must continue to be vigilant in monitoring its resources to meet the demands of our public education system.

REQUESTS FOR INFORMATION

This report is designed to provide 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 information should be addressed to the School Board of Levy County, Director of Finance, P.O. Box 129, Bronson, Florida 32621. Our physical address is 480 Marshburn Drive, Bronson, Florida.

BASIC FINANCIAL STATEMENTS

**LEVY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2009**

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	\$ 9,936,694.15	\$ 363,765.00
Cash with Fiscal Agent	504,254.35	
Investments	302,196.72	
Taxes Receivable	114,889.04	
Accounts Receivable		8,503.00
Due from Other Agencies	562,015.91	
Deposits Receivable		780.00
Prepaid Items		2,576.00
Inventories	89,815.68	
Capital Assets:		
Nondepreciable Capital Assets	6,630,502.06	69,505.00
Depreciable Capital Assets, Net	58,424,621.42	497,154.00
TOTAL ASSETS	\$ 76,564,989.33	\$ 942,283.00
LIABILITIES		
Salaries and Benefits Payable	\$	\$ 9,707.00
Payroll Deductions and Withholdings	428,159.57	
Accounts Payable	566,163.61	10,046.00
Due to Other Agencies	4,487.00	
Deferred Revenue	95,571.05	
Matured Certificates of Participation Payable	350,000.00	
Matured Interest Payable	153,710.02	
Long-Term Liabilities:		
Portion Due Within One Year	1,167,427.97	5,342.00
Portion Due After One Year	13,577,235.09	75,723.00
Total Liabilities	16,342,754.31	100,818.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	53,940,123.48	485,594.00
Restricted for:		
State Categorical Programs	228,219.51	
Debt Service	41,568.29	
Capital Projects	7,469,086.16	
Food Service	198,610.92	
Other Purposes	213,896.69	86,007.00
Unrestricted	(1,869,270.03)	269,864.00
Total Net Assets	60,222,235.02	841,465.00
TOTAL LIABILITIES AND NET ASSETS	\$ 76,564,989.33	\$ 942,283.00

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

THIS PAGE INTENTIONALLY LEFT BLANK.

**LEVY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 28,617,043.27	\$	\$	\$
Pupil Personnel Services	2,371,471.19			
Instructional Media Services	943,413.01			
Instruction and Curriculum Development Services	1,201,013.09			
Instructional Staff Training Services	993,491.74			
Instruction Related Technology	171,227.16			
Board of Education	236,171.35			
General Administration	1,252,815.33			
School Administration	3,111,862.57			
Facilities Acquisition and Construction	860,468.91			5,703,461.91
Fiscal Services	464,704.66			
Food Services	2,717,563.55	619,754.35	2,068,311.24	
Central Services	372,254.16			
Pupil Transportation Services	4,146,451.06	18,262.59	1,870,823.00	
Operation of Plant	3,722,370.50			
Maintenance of Plant	1,026,545.90			
Administrative Technology Services	552,981.91			
Community Services	5,702.11			
Interest on Long-Term Debt	471,177.37			192,570.11
Unallocated Depreciation Expense	2,548,948.75			
Total Primary Government	\$ 55,787,677.59	\$ 638,016.94	\$ 3,939,134.24	\$ 5,896,032.02
Component Units:				
Charter Schools	\$ 1,182,645.00	\$ 9,619.00	\$ 0.00	\$ 98,415.00

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

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	
\$ (28,617,043.27)	\$
(2,371,471.19)	
(943,413.01)	
(1,201,013.09)	
(993,491.74)	
(171,227.16)	
(236,171.35)	
(1,252,815.33)	
(3,111,862.57)	
4,842,993.00	
(464,704.66)	
(29,497.96)	
(372,254.16)	
(2,257,365.47)	
(3,722,370.50)	
(1,026,545.90)	
(552,981.91)	
(5,702.11)	
(278,607.26)	
(2,548,948.75)	
<u>(45,314,494.39)</u>	
	<u>(1,074,611.00)</u>
13,999,891.92	
4,129,544.36	
31,826,779.88	1,135,910.00
51,760.18	1,212.00
1,338,708.21	
<u>51,346,684.55</u>	<u>1,137,122.00</u>
6,032,190.16	62,511.00
54,190,044.86	778,954.00
<u>\$ 60,222,235.02</u>	<u>\$ 841,465.00</u>

**LEVY COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009**

	General Fund	Debt Service - Other Fund	Capital Projects - Public Education Capital Outlay Fund
ASSETS			
Cash and Cash Equivalents	\$ 2,274,715.54	\$	\$ 626,885.26
Cash with Fiscal Agent		503,714.74	
Investments	232,608.51		3,251.56
Taxes Receivable	78,347.38		
Due from Other Funds	24,037.77		12,417.21
Due from Other Agencies	276,059.80		
Inventories			
TOTAL ASSETS	\$ 2,885,769.00	\$ 503,714.74	\$ 642,554.03
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll Deductions and Withholdings	\$ 428,159.57	\$	\$
Accounts Payable	141,023.15		177,579.89
Due to Other Funds	119,206.40		7,173.72
Due to Other Agencies	4,487.00		
Deferred Revenue			
Matured Certificates of Participation Payable		350,000.00	
Matured Interest Payable		153,710.02	
Total Liabilities	692,876.12	503,710.02	184,753.61
Fund Balances:			
Reserved for State Categorical Programs	228,219.51		
Reserved for Encumbrances	30,380.13		40,806.44
Reserved for Debt Service			
Reserved for Fuel Tax Refunds	213,896.69		
Unreserved:			
Designated, Reported in General Fund:			
Designated for Special Programs	535,845.36		
Undesignated, Reported in:			
General Fund	1,184,551.19		
Debt Service Funds		4.72	
Special Revenue Funds			
Capital Projects Funds			416,993.98
Total Fund Balances	2,192,892.88	4.72	457,800.42
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,885,769.00	\$ 503,714.74	\$ 642,554.03

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 6,266,109.34	\$ 596,241.17	\$ 172,742.84	\$ 9,936,694.15
	539.61		504,254.35
7,336.72	5,320.56	53,679.37	302,196.72
36,541.66			114,889.04
48,443.86	8,032.00	67,671.89	160,602.73
	139,800.73	146,155.38	562,015.91
		89,815.68	89,815.68
<u>\$ 6,358,431.58</u>	<u>\$ 749,934.07</u>	<u>\$ 530,065.16</u>	<u>\$ 11,670,468.58</u>
\$ 11,196.94	\$ 148,482.93	\$ 99,077.64	\$ 428,159.57
	5,243.49	17,782.18	566,163.61
	82,847.59	12,723.46	160,602.73
			4,487.00
			95,571.05
			350,000.00
			153,710.02
<u>11,196.94</u>	<u>236,574.01</u>	<u>129,583.28</u>	<u>1,758,693.98</u>
			228,219.51
	159,306.84	17,685.64	248,179.05
		41,568.29	41,568.29
			213,896.69
			535,845.36
			1,184,551.19
		9,611.63	9,616.35
6,347,234.64	354,053.22	180,925.28	180,925.28
		150,691.04	7,268,972.88
<u>6,347,234.64</u>	<u>513,360.06</u>	<u>400,481.88</u>	<u>9,911,774.60</u>
<u>\$ 6,358,431.58</u>	<u>\$ 749,934.07</u>	<u>\$ 530,065.16</u>	<u>\$ 11,670,468.58</u>

**LEVY COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total Fund Balances - Governmental Funds \$ 9,911,774.60

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. 65,055,123.48

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

Certificates of Participation Payable	\$ (7,680,000.00)	
Bonds Payable	(3,435,000.00)	
Compensated Absences Payable	(3,533,112.06)	
Other Postemployment Benefits Payable	(96,551.00)	(14,744,663.06)

Total Net Assets - Governmental Activities \$ 60,222,235.02

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

THIS PAGE INTENTIONALLY LEFT BLANK.

**LEVY COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009**

	General Fund	Debt Service - Other Fund	Capital Projects - Public Education Capital Outlay Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 48,963.06	\$	\$
Federal Through State and Local	141,155.41		
State	28,191,158.56		1,867,702.00
Local:			
Property Taxes	13,999,891.92		
Impact Fees			
Charges for Services - Food Service			
Miscellaneous	880,321.97	38.15	1,616.28
Total Revenues	43,261,490.92	38.15	1,869,318.28
Expenditures			
Current - Education:			
Instruction	25,456,731.42		
Pupil Personnel Services	2,221,415.50		
Instructional Media Services	943,356.62		
Instruction and Curriculum Development Services	718,862.16		
Instructional Staff Training Services	650,500.12		
Instruction Related Technology	112,763.84		
Board of Education	236,794.48		
General Administration	1,124,839.19		
School Administration	3,123,720.21		
Facilities Acquisition and Construction	166,199.86		473,162.96
Fiscal Services	466,491.54		
Food Services			
Central Services	346,410.28		
Pupil Transportation Services	3,548,647.66		
Operation of Plant	3,728,975.01		
Maintenance of Plant	1,016,096.18		
Administrative Technology Services	553,902.88		
Community Services	5,721.65		
Fixed Capital Outlay:			
Facilities Acquisition and Construction			1,306,271.06
Other Capital Outlay	46,585.26		3,700.00
Debt Service:			
Principal		350,000.00	
Interest and Fiscal Charges		307,420.04	
Total Expenditures	44,468,013.86	657,420.04	1,783,134.02
Excess (Deficiency) of Revenues Over Expenditures	(1,206,522.94)	(657,381.89)	86,184.26
Other Financing Sources (Uses)			
Transfers In	984,017.48	657,386.61	
Insurance Loss Recoveries	77,348.83		
Transfers Out	(100,000.00)		
Total Other Financing Sources (Uses)	961,366.31	657,386.61	
Net Change in Fund Balances	(245,156.63)	4.72	86,184.26
Fund Balances, Beginning	2,438,049.51		371,616.16
Fund Balances, Ending	\$ 2,192,892.88	\$ 4.72	\$ 457,800.42

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$	\$
		6,799,400.37	48,963.06
	2,107,533.00	713,741.85	6,940,555.78
4,129,544.36			32,880,135.41
	125,666.36		18,129,436.28
		619,754.35	125,666.36
23,801.72	300,016.12	4,628.27	619,754.35
<u>4,153,346.08</u>	<u>2,533,215.48</u>	<u>8,137,524.84</u>	<u>59,954,933.75</u>
		3,255,280.02	28,712,011.44
		157,614.47	2,379,029.97
		3,392.02	946,748.64
		486,540.44	1,205,402.60
		346,380.45	996,880.57
		58,993.69	171,757.53
			236,794.48
		129,425.26	1,254,264.45
98,501.08	113,885.61	8,719.40	3,123,720.21
			860,468.91
			466,491.54
		2,723,188.83	2,723,188.83
		27,163.97	373,574.25
		188,161.83	3,736,809.49
			3,728,975.01
			1,016,096.18
			553,902.88
			5,721.65
200,000.00	1,834,719.76		3,340,990.82
213,028.09	16,044.12	117,490.58	396,848.05
		180,000.00	530,000.00
4,395.83		159,361.50	471,177.37
<u>515,925.00</u>	<u>1,964,649.49</u>	<u>7,841,712.46</u>	<u>57,230,854.87</u>
<u>3,637,421.08</u>	<u>568,565.99</u>	<u>295,812.38</u>	<u>2,724,078.88</u>
		100,000.00	1,741,404.09
(1,251,656.61)	(97,545.00)	(292,202.48)	77,348.83
			(1,741,404.09)
(1,251,656.61)	(97,545.00)	(192,202.48)	77,348.83
2,385,764.47	471,020.99	103,609.90	2,801,427.71
3,961,470.17	42,339.07	296,871.98	7,110,346.89
<u>\$ 6,347,234.64</u>	<u>\$ 513,360.06</u>	<u>\$ 400,481.88</u>	<u>\$ 9,911,774.60</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, 2009**

Net Change in Fund Balances - Governmental Funds \$ 2,801,427.71

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

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

Fixed Capital Outlay - Facilities Acquisition and Construction	\$ 3,340,990.82	
Fixed Capital Outlay - Other Capital Outlay	396,848.05	
Depreciation Expense	<u>(2,983,103.27)</u>	754,735.60

The donation of capital assets is not reported in the governmental funds. However, in the statement of activities, the acquisition of the assets is reported as revenue and the value at the date acquired is allocated over their estimated useful lives as depreciation expense. 1,787,585.17

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 repayments in the current period:

Principal Repayment - Certificates of Participation	\$ 350,000.00	
Principal Repayment - Bonds Payable	<u>180,000.00</u>	530,000.00

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current period. 254,992.68

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. (96,551.00)

Change in Net Assets - Governmental Activities \$ 6,032,190.16

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, 2009**

	<u>Agency Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 457,198.67
Accounts Receivable	380.00
	<u>380.00</u>
TOTAL ASSETS	<u>\$ 457,578.67</u>
LIABILITIES	
Accounts Payable	\$ 27,526.00
Internal Accounts Payable	382,337.00
Deposits Payable	47,715.67
	<u>47,715.67</u>
TOTAL LIABILITIES	<u>\$ 457,578.67</u>

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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The District School 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 is considered part of the Florida system of public education. The governing body of the school district is the Levy County District School Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the School 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 *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 District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School 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 School Board'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 6. Due to the substantive economic relationship between the Levy County District School Board and the Authority, the financial activities of the Authority are included in the accompanying basic financial statements. Separate financial statements for the Authority are not published.
- **Discretely Presented Component Units.** The component unit columns in the government-wide financial statements include the financial data of two charter schools: Whispering Winds Charter School, Inc., and Nature Coast Middle School, Inc.

The charter schools are 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 Levy County District School Board, and are considered to be component units of the District since they cannot levy taxes and are fiscally 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, 2009, which are on file at the District's administrative offices.

➤ **Basis of Presentation**

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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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

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

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Debt Service – Other Fund – to account for the financial resources used for the payment of debt service requirements on the District's certificates of participation that have been issued for capital construction.
- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.
- Capital Projects – Public Education Capital Outlay Fund – to account for the financial resources generated by legislative appropriations through the Public Education Capital Outlay program. These resources are expended on maintenance and construction activities.
- Capital Projects – Other Fund – to account for the financial resources received and expended on other capital projects construction activities, including the new classrooms at Joyce Bullock Elementary School and Chiefland Elementary School.

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; and to account for the activities of the medical and dependent reimbursement

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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

➤ **Basis of Accounting**

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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 on hand and demand accounts.

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 State Board of Administration (SBA) Debt Service accounts for investment of debt service moneys; amounts placed with SBA for participation in the Local Government Surplus Funds Trust Fund (LGIP), which, effective July 1, 2009, is known as Florida PRIME; and the Fund B Surplus Funds Trust Fund (Fund B) investment pool. The investment pools were created by Sections 218.405 and 218.417, Florida Statutes, and operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investment in LGIP, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, 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.

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

The District’s investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.51370946 at June 30, 2009. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to LGIP, 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 a liquid balance within LGIP.

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of the 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 United States Department of Agriculture surplus commodities 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.

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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 terminations.

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

➤ **State Revenue Sources**

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

The State provides financial assistance to administer certain categorical 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 categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received an allocation under the Classrooms for Kids Program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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

➤ **District Property Taxes**

The School 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 School Board adopted the 2008 tax levy on September 15, 2008. 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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

real property taxes by the sale of interest bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

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

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

➤ **Educational Impact Fees**

Levy County imposes an educational impact fee based on an ordinance adopted by the Levy County Commission (County) in January 2008. For most new residential construction, the fee is collected by the County and each municipality within the County based on an interlocal agreement. The fee 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 of the fee include, but are not limited to, land acquisition; facility design and construction costs; acquisition of furniture, equipment, and buses; and payment of principal, interest, and related costs of indebtedness. The fees collected shall be returned to the then current owner of the property on behalf of which such fee was paid if the fees have not been expended or encumbered prior to the end of the fiscal year immediately following the eighth anniversary of the date upon which such fees were paid. Because the fee is similar to a capital-type assessment, it is reported as a program revenue in the government-wide financial statements.

➤ **Federal Revenue Sources**

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

- 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.

3. INVESTMENTS

Section 218.415(17), Florida Statutes, authorizes the District to invest in the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP); any 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 or savings accounts 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 does not further limit its investment choices, and does not limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Investments with a fair value of \$190,958.18 at June 30, 2009, are in SBA LGIP with a weighted average days to maturity (WAM) of 46 days. A portfolio's WAM reflects the average maturity 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. The District's investment in LGIP is rated AAAM by Standard & Poor's.

Investments with a fair value of \$69,670.25 at June 30, 2009, are in the SBA Fund B Surplus Funds Trust Fund (Fund B) with a weighted average life (WAL) of 6.87 years. A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL, which also measures the sensitivity of the portfolio to interest rate changes, is based on legal final maturity dates for Fund B as of June 30, 2009. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL. The District's investment in Fund B is unrated.

In addition, the District reports investments totaling \$41,568.29 at June 30, 2009, in the SBA Debt Service accounts to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The District relies on policies developed by SBA for managing credit risk for this account.

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,501,926.07	\$	\$	\$ 1,501,926.07
Construction in Progress		5,128,575.99		5,128,575.99
Total Capital Assets Not Being Depreciated	1,501,926.07	5,128,575.99		6,630,502.06
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	2,864,039.77			2,864,039.77
Buildings and Fixed Equipment	79,530,880.84			79,530,880.84
Furniture, Fixtures, and Equipment	5,905,886.36	122,272.69	30,674.60	5,997,484.45
Motor Vehicles	6,273,633.95	219,831.45	33,917.00	6,459,548.40
Computer Software	637,045.71	54,743.91		691,789.62
Total Capital Assets Being Depreciated	95,211,486.63	396,848.05	64,591.60	95,543,743.08
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,601,618.48	111,441.95		1,713,060.43
Buildings and Fixed Equipment	22,326,506.94	1,996,222.40		24,322,729.34
Furniture, Fixtures, and Equipment	5,048,660.08	359,775.25	30,674.60	5,377,760.73
Motor Vehicles	4,693,492.15	458,955.51	33,917.00	5,118,530.66
Computer Software	530,332.34	56,708.16		587,040.50
Total Accumulated Depreciation	34,200,609.99	2,983,103.27	64,591.60	37,119,121.66
Total Capital Assets Being Depreciated, Net	61,010,876.64	(2,586,255.22)		58,424,621.42
Governmental Activities Capital Assets, Net	\$ 62,512,802.71	\$ 2,542,320.77	\$ 0.00	\$ 65,055,123.48

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 420,102.69
Maintenance of Plant	14,051.83
Unallocated	2,548,948.75
Total Depreciation Expense - Governmental Activities	\$ 2,983,103.27

5. CHANGES IN SHORT-TERM DEBT

The following is a schedule of changes in short-term debt:

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Line of Credit	\$	\$ 1,000,000	\$ 1,000,000	\$

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Pursuant to the provisions of Section 1011.13, Florida Statutes, the Board entered into a revolving line of credit on November 24, 2008, in the amount of \$5,000,000 with Capital City Bank, secured by a pledge of anticipated ad valorem tax proceeds. This line of credit allowed the District to borrow funds, for the purpose of paying current obligations of the District, at an interest rate of 69 percent of the JP Morgan Chase Prime Rate. On December 16, 2008, the District borrowed \$1,000,000 on the line of credit and repaid it with \$1,895.83 interest on January 6, 2009. As of June 30, 2009, no obligation was outstanding under this line of credit.

6. CERTIFICATES OF PARTICIPATION

The District entered into a financing arrangement which was characterized as a lease-purchase agreement, with the Levy County Public Facilities Finance Authority, Inc. (Authority), whereby the District secured financing in the total 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 3.00 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:

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Fiscal Year Ending June 30	Total	Principal	Interest
2010	\$ 656,920.02	\$ 360,000.00	\$ 296,920.02
2011	660,220.02	375,000.00	285,220.02
2012	658,501.26	385,000.00	273,501.26
2013	660,507.52	400,000.00	260,507.52
2014	661,507.52	415,000.00	246,507.52
2015-2019	3,298,758.80	2,310,000.00	988,758.80
2020-2024	3,297,062.54	2,805,000.00	492,062.54
2025	656,775.00	630,000.00	26,775.00
Total Minimum Lease Payments	<u>\$ 10,550,252.68</u>	<u>\$ 7,680,000.00</u>	<u>\$ 2,870,252.68</u>

7. BONDS PAYABLE

Bonds payable at June 30, 2009, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1999A	\$ 155,000	4.375 - 4.750	2019
Series 2005B, Refunding	1,275,000	5.0	2018
District Revenue Bonds:			
Series 2005	<u>2,005,000</u>	3.1 - 4.5	2031
Total Bonds Payable	<u>\$ 3,435,000</u>		

The various bonds were issued to finance and 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). 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 County Commissioners pursuant to Chapter 65-1217, Laws of Florida. All such money not needed for the payment of principal, interest, and handling charges becoming due during the

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2010	\$ 195,931.25	\$ 125,000.00	\$ 70,931.25
2011	199,775.00	135,000.00	64,775.00
2012	198,125.00	140,000.00	58,125.00
2013	201,200.00	150,000.00	51,200.00
2014	198,756.25	155,000.00	43,756.25
2015-2019	<u>820,150.00</u>	<u>725,000.00</u>	<u>95,150.00</u>
Total State School Bonds	<u>1,813,937.50</u>	<u>1,430,000.00</u>	<u>383,937.50</u>
District Revenue Bonds:			
2010	140,467.50	60,000.00	80,467.50
2011	143,481.25	65,000.00	78,481.25
2012	141,368.75	65,000.00	76,368.75
2013	139,215.63	65,000.00	74,215.63
2014	141,937.51	70,000.00	71,937.51
2015-2019	699,809.39	380,000.00	319,809.39
2020-2024	696,231.25	460,000.00	236,231.25
2025-2029	701,018.75	575,000.00	126,018.75
2030-2031	<u>277,037.50</u>	<u>265,000.00</u>	<u>12,037.50</u>
Total District Revenue Bonds	<u>3,080,567.53</u>	<u>2,005,000.00</u>	<u>1,075,567.53</u>
Total	<u>\$ 4,894,505.03</u>	<u>\$ 3,435,000.00</u>	<u>\$ 1,459,505.03</u>

8. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$ 8,030,000.00	\$	\$ 350,000.00	\$ 7,680,000.00	\$ 360,000.00
Bonds Payable	3,615,000.00		180,000.00	3,435,000.00	185,000.00
Compensated Absences Payable	3,788,104.74	2,252,873.29	2,507,865.97	3,533,112.06	622,427.97
Other Postemployment Benefits Payable		251,159.00	154,608.00	96,551.00	
Total Governmental Activities	<u>\$ 15,433,104.74</u>	<u>\$ 2,504,032.29</u>	<u>\$ 3,192,473.97</u>	<u>\$ 14,744,663.06</u>	<u>\$ 1,167,427.97</u>

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, 2009**

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 24,037.77	\$ 119,206.40
Capital Projects:		
Public Education Capital Outlay	12,417.21	7,173.72
Local Capital Improvement	48,443.86	11,196.94
Other	8,032.00	5,243.49
Nonmajor Governmental	67,671.89	17,782.18
Total	\$ 160,602.73	\$ 160,602.73

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	\$ 984,017.48	\$ 100,000.00
Debt Service:		
Other	657,386.61	
Capital Projects:		
Local Capital Improvement		1,251,656.61
Other		97,545.00
Nonmajor Governmental	100,000.00	292,202.48
Total	\$ 1,741,404.09	\$ 1,741,404.09

Interfund transfers are used primarily when revenues are recognized in one fund but are used to pay expenses in another (e.g., capital outlay revenues used to make debt service and property casualty premium payments). The transfer out of the General Fund was to supplement food service operations, while the transfer from a nonmajor governmental fund to the General Fund was to move unrestricted debt funds. The transfer from the Capital Projects – Other Fund was related to the distribution of charter school capital outlay funds.

10. RESERVE FOR 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.

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue for the 2008-09 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 18,875,347.00
Categorical Educational Programs:	
Class Size Reduction	5,837,328.00
Transportation	1,870,823.00
Instructional Materials	587,208.00
School Recognition	348,627.00
Voluntary Prekindergarten	187,627.35
Other	207,661.08
Classrooms for Kids	2,009,988.00
Gross Receipts Tax (Public Education Capital Outlay)	1,867,702.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	234,213.51
Discretionary Lottery Funds	140,560.00
Charter School Capital Outlay	97,545.00
Food Service Supplement	48,073.00
Mobile Home License Tax	20,381.49
Miscellaneous	547,050.98
	<u>547,050.98</u>
Total	<u><u>\$ 32,880,135.41</u></u>

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

12. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2008 tax roll for the 2008-09 fiscal year:

<u>GENERAL FUND</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.244	\$ 12,714,838
Basic Discretionary Local Effort	0.498	1,207,473
Supplemental Discretionary Local Effort	0.250	606,161
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	1.750	4,243,126
Total	<u><u>7.742</u></u>	<u><u>\$ 18,771,598</u></u>

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

13. FLORIDA RETIREMENT SYSTEM

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

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 84 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$289,059.11.

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2008-09 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Florida Retirement System, Senior Management Service	0.00	13.12
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
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 0.05 percent for administrative costs of PEORP.

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$2,806,716.52, \$2,922,795.81, and \$2,836,815.63, respectively, which were equal to the required contributions for each fiscal year.

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

14. OTHER POSTEMPLOYMENT BENEFITS

Effective for the 2008-09 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided by the District. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$2,375,637 at the July 1, 2008, date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the other postemployment benefits at the date of transition.

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

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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

Funding Policy. Plan contribution requirements of the District and Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 71 retirees received other postemployment benefits. The District provided required contributions of \$154,608 toward the annual OPEB cost, comprised of payments made on behalf of retirees, net of retiree contributions totaling \$323,007, which represents 1.4 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 Governmental Accounting Standards Board 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 year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation for other postemployment benefits:

Description	Amount
Normal Cost (service cost for one year)	\$ 113,776
Amortization of Unfunded Actuarial Accrued Liability	137,383
Annual Required Contribution	251,159
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	-----
Annual OPEB Cost (Expense)	251,159
Contribution Toward the OPEB Cost	(154,608)
Increase in Net OPEB Obligation	96,551
Net OPEB Obligation, Beginning of Year	-----
Net OPEB Obligation, End of Year	\$ 96,551

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2009 (year of implementation), were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7-1-08 2008-09	\$ 251,259	61.6%	\$ 0 96,551

Funded Status and Funding Progress. As of June 30, 2008, the most recent valuation date, the actuarial accrued liability for benefits was \$2,375,637, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,375,637 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$22,712,663 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 10.5 percent.

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

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

The District’s initial OPEB actuarial valuation as of June 30, 2008, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and the 2008-09 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 an annual healthcare cost trend of 10 percent initially for the 2008-09 fiscal year, grading down to 5 percent over 20 years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over 30 years. The remaining amortization period at June 30, 2009, was 29 years.

**LEVY COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

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

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

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**LEVY COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
For the Fiscal Year Ended June 30, 2009**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 35,000.00	\$ 45,000.00	\$ 48,963.06	\$ 3,963.06
Federal Through State and Local	50,000.00	138,542.63	141,155.41	2,612.78
State	30,103,841.00	28,571,981.69	28,191,158.56	(380,823.13)
Local:				
Property Taxes	13,820,025.00	13,802,326.00	13,999,891.92	197,565.92
Miscellaneous	615,067.87	815,382.90	880,321.97	64,939.07
Total Revenues	44,623,933.87	43,373,233.22	43,261,490.92	(111,742.30)
Expenditures				
Current - Education:				
Instruction	25,351,379.41	25,741,882.47	25,456,731.42	285,151.05
Pupil Personnel Services	1,942,808.55	2,311,468.06	2,221,415.50	90,052.56
Instructional Media Services	1,672,813.36	948,118.36	943,356.62	4,761.74
Instruction and Curriculum Development Services	543,812.60	745,007.73	718,862.16	26,145.57
Instructional Staff Training Services	801,660.89	712,283.99	650,500.12	61,783.87
Instruction Related Technology	127,615.92	127,925.92	112,763.84	15,162.08
Board of Education	264,561.82	262,761.82	236,794.48	25,967.34
General Administration	1,162,713.56	1,173,111.88	1,124,839.19	48,272.69
School Administration	3,180,741.14	3,158,937.35	3,123,720.21	35,217.14
Facilities Acquisition and Construction	78,312.11	588,317.60	166,199.86	422,117.74
Fiscal Services	478,737.53	478,737.53	466,491.54	12,245.99
Central Services	406,376.25	390,515.13	346,410.28	44,104.85
Pupil Transportation Services	3,872,482.80	3,697,826.58	3,548,647.66	149,178.92
Operation of Plant	3,957,473.02	3,859,120.01	3,728,975.01	130,145.00
Maintenance of Plant	1,063,258.03	1,054,300.68	1,016,096.18	38,204.50
Administrative Technology Services	671,589.88	660,589.88	553,902.88	106,687.00
Community Services		6,014.50	5,721.65	292.85
Fixed Capital Outlay:				
Other Capital Outlay		46,585.26	46,585.26	
Total Expenditures	45,576,336.87	45,963,504.75	44,468,013.86	1,495,490.89
Deficiency of Revenues Under Expenditures	(952,403.00)	(2,590,271.53)	(1,206,522.94)	1,383,748.59
Other Financing Sources (Uses)				
Transfers In	692,403.00	984,017.48	984,017.48	
Insurance Loss Recoveries	10,000.00	58,727.80	77,348.83	18,621.03
Transfers Out	(100,000.00)	(100,000.00)	(100,000.00)	
Total Other Financing Sources (Uses)	602,403.00	942,745.28	961,366.31	18,621.03
Net Change in Fund Balances	(350,000.00)	(1,647,526.25)	(245,156.63)	1,402,369.62
Fund Balances, Beginning	2,438,049.51	2,438,049.51	2,438,049.51	
Fund Balances, Ending	\$ 2,088,049.51	\$ 790,523.26	\$ 2,192,892.88	\$ 1,402,369.62

**LEVY COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -
OTHER POSTEMPLOYMENT BENEFITS PLAN
For the Fiscal Year Ended June 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Projected Unit Credit	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%

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**LEVY COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Education:			
School Breakfast Program	10.553	321	\$ 418,440.88
National School Lunch Program	10.555	300	1,400,116.59
Summer Food Service Program for Children	10.559	323	28,728.28
Florida Department of Agriculture and Consumer Services:			
National School Lunch Program	10.555 (2)(A)	None	214,552.89
Total United States Department of Agriculture			2,061,838.64
United States Department of Education:			
Indirect:			
Special Education Cluster:			
Florida Department of Education:			
Special Education - Grants to States	84.027	263	1,286,492.13
Special Education - Preschool Grants	84.173	267	29,591.40
Putnam County District School Board:			
Special Education - Grants to States	84.027	None	89,399.08
Columbia County District School Board:			
Special Education - Grants to States	84.027	None	21,306.07
University of Florida:			
Special Education - Grants to States	84.027	None	1,000.00
Total Special Education Cluster			1,427,788.68
Florida Department of Education:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 226, 228	2,083,643.29
Title I Program for Neglected and Delinquent Children	84.013	223	41,305.28
Career and Technical Education - Basic Grants to States	84.048	161	127,377.05
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	15,977.64
Twenty-First Century Community Learning Centers	84.287	244	164,025.26
State Grants for Innovative Programs	84.298	113	4,602.47
Transition to Teaching	84.350	227	32,931.39
Rural Education	84.358	110	135,430.23
English Language Acquisition Grants	84.365	102	31,660.60
Improving Teacher Quality State Grants	84.367	224	401,681.73
School Improvement Grants	84.377	126	321,617.92
Alachua County District School Board:			
Migrant Education - State Grant Program	84.011	None	4,630.15
Putnam County District School Board:			
Twenty-First Century Community Learning Centers	84.287	None	7,796.51
Total United States Department of Education			4,800,468.20
United States Department of Homeland Security:			
Indirect:			
Florida Division of Emergency Management:			
Hazard Mitigation Grant	97.039 (2)(B)	None	1,617,740.32
United States Department of Defense:			
Direct:			
Army Junior Reserve Officers Training Corps	None	N/A	48,963.06
Total Expenditures of Federal Awards			\$ 8,529,010.22

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 prepared.

(2) Noncash Assistance.

(A) National School Lunch Program - Represents the amount of donated food used during the fiscal year. Commodities are valued at fair value as determined at the time of donation.

(B) Hazard Mitigation Grant - Represents the Federally-paid portion of an emergency shelter generator and installation costs.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the Levy County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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*.

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

Respectfully submitted,



David W. Martin, CPA
February 22, 2010



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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 APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

Compliance

We have audited the Levy County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2009. 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 the District's 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 the OMB's *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 requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 *control deficiency* in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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

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

Respectfully submitted,



David W. Martin, CPA
February 22, 2010

**LEVY COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 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 material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB <i>Circular A-133</i> ?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); School Improvement Grants (CFDA No. 84.377); and Hazard Mitigation Grant (CFDA No. 97.039)
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, 2009**

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 1

Federal Agencies: United States Department of Education

Pass-Through Entity: Florida Department of Education

Programs: ARRA: Education for Homeless Children and Youth, Recovery Act (CFDA No. 84.387); Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389); Special Education Grants to States, Recovery Act (CFDA No. 84.391); Special Education – Preschool Grants, Recovery Act (CFDA No. 84.392); State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (CFDA No. 84.394); State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act (CFDA No. 84.397)

Finding Type: Noncompliance

Questioned Costs: Not applicable

Reporting and Special Tests and Provisions. The American Recovery and Reinvestment Act (ARRA) provides funding, in part, to school districts, with the overall goals of improving schools and achievement and producing better results for students. To support the most effective use of the funds and measure results, recipients are required to report certain information tied to the assurance, principles, and strategies associated with ARRA Federal programs. The United States Federal Government maintains a database, known as the Central Contractor Registration (CCR), to collect, validate, store, and disseminate information relating to Federal awards, including ARRA Federal programs. Both current and potential Federal recipients are required to register in CCR in order to receive Federal grant awards. Recipients are required to initially register in CCR to provide basic information relevant to procurement and financial transactions, and must update or renew their registration at least once per year to maintain an active status.

The Florida Department of Education approved ARRA Federal funding for the District to administer, as shown in the table below:

Grant (CFDA Number)	Award Amount
ARRA – Education for Homeless Children and Youth (84.387)	\$ 17,342
ARRA – Title I (84.389)	1,232,477
ARRA – Special Education (84.391)	1,378,510
ARRA – Special Education, Preschool (84.392)	43,404
ARRA – State Fiscal Stabilization (84.394)	1,878,658
ARRA – State Fiscal Stabilization (84.397)	70,623

Our review of District records and inquiry with District personnel disclosed that the District did not adequately monitor its ARRA Federal reporting requirements and had not registered timely in the CCR system. After notification by the Florida Department of Education, the Finance Officer registered with CCR on September 22, 2009. In addition, the Director of Finance was assigned responsibility for monitoring future ARRA Federal reporting requirements. Without timely registration in the CCR system, the District may be limited in its eligibility to receive ARRA Federal funds.

Recommendation: The District should continue its efforts to ensure timely renewal in the Central Contractor Registration Web site on an annual basis as required.

District Contact Person: Bob Clemons, Director of Finance

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2009-139.

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, 2009*

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
2009-139		No prior Federal audit findings.		

EXHIBIT A
MANAGEMENT'S RESPONSE

Robert O. Hastings
Superintendent



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

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

February 4, 2010

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

Re: Response to Preliminary and Tentative Audit Findings

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, 2009.

Finding 1. Federal Awards Finding

Contrary to registration requirements for Federal awards, the District did not timely register in the Central Contractor Registration database.

Response:

We were notified on September 15, 2009 by Linda Champion, Deputy Commissioner, Finance and Operations, to register with the Central Contract Registration (CCR) website. On September 22, 2009 our Finance Officer, Robert Bilden registered with the CCR.

The District will continue its efforts to ensure timely renewal in the Central Contractor Registration Website on an annual basis.

Sincerely,

Robert O. Hastings
Superintendent

ROH/rbc

