

Financial Statements
and Other Financial Information

Leon County District School Board
Tallahassee, Florida

*Year ended June 30, 2009
with Independent Auditors' Report*

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Independent Auditors' Report on Financial Statements

Superintendent of Schools
Leon County District School Board Members
Leon County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund, and the aggregate remaining fund information of the Leon County District School Board (the District) 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 aggregate discretely-presented component units. Those financial statements were audited by other auditors whose reports thereon have been provided to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely-presented component units, is 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. The financial statements of the Leon County Schools' Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund and the aggregate remaining fund information of the District as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, 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 our report dated December 9, 2009, on our consideration of the Leon County District School Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts and grants, and other matters. 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 and the Budgetary Comparison Schedule 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 primarily 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.

Thomas Howell Ferguson P.A. Law, Redd, Crona & Munroe, P.A.

December 9, 2009

Leon County School Board
Management's Discussion and Analysis

As Management of the Leon County School Board (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$236 million.
- Total revenues (Statement of Revenues, Expenditures, and Changes in Fund Balances) of \$330.7 million were comprised of general revenues in the amount of \$304.4 million, or 92 percent, and program specific revenues from charges for services and grants, and contributions in the amount of \$26.3 million or 8 percent.
- For the year ended June 30, 2009, the District had \$350 million in expenses related to governmental activities; \$26.3 million of which were offset by program specific charges or services, grants, and other sources. General revenues (primarily taxes and State funding programs) of \$304.4 million were not sufficient to provide for the District's programs resulting in a decrease in net assets of \$19.7 million.
- As of the close of the fiscal year, the District's governmental funds report combined ending fund balances of \$87.8 million, a decrease of \$31 million in comparison with the prior year. Approximately 68 percent of this total amount, \$59.5 million, is available for spending at the District's discretion for the purposes defined for each governmental fund (unreserved fund balance).
- The unrestricted net asset amount of negative \$20.7 million on the Statement of Net Assets represents the excess of current and long-term future financial liabilities over current financial resources, primarily due to the unfunded liability for compensated absences and other post-employment benefits.
- Based on General Fund expenditures for the fiscal year 2008-09 of \$249.5 million, the operating cost per day, assuming 260 days, was \$960 thousand as compared to \$1.04 million in 2007-08.
- At the end of the fiscal year, unreserved fund balance for the General Fund is \$9.1 million or 3.6% percent of total General Fund expenditures. The unreserved fund balance represents 9.5 days of operating expenditures for 2009 as compared to 14.2 days for 2008.
- The District's total long-term debt for bonds and Certificates of Participation (COPs), decreased by \$3.1 million or 2 percent during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statement. The District's basic financial statements contain three components:

1. Government-wide financial statements.
2. Fund financial statements.
3. Notes to the 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 statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator about the financial position of the District.

The statement of activities provides information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

All of the District's activities and services are reported in the government-wide financial statements, including instruction, pupil support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes, state assistance, and interest and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported here. Business-type activities, which include functions that are intended to recover all or a significant portion of their costs through user fees and charges, includes the District's Permitting Office.

The government-wide financial statements include not only the District itself (known as the primary government), but also the Leon County Schools Foundation, and the combined activities of the five legally separate charter schools for which the District is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Leon County Schools Employee Benefits Trust (Trust) and the Leon County Schools

Leasing Corporation (Corporation), although also legally separate entities, were formed to administer the District's group health and life insurance program and facilitate financing for the acquisition of facilities and equipment, respectively. Due to the substantive economic relationships between the District and the Trust and Corporation, their financial activities have been included as an integral part of the primary government.

The government-wide financial statements can be found following this report.

Fund 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, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The governmental funds balance sheet and the governmental 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 Project-Local Capital Improvement Fund, and Capital Projects-Other Fund. Data from the other non-major governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

The basic government fund financial statements can be found following this report.

Proprietary Funds –Proprietary funds may be established to account for activities in which a fee is charged for services. Two types of proprietary funds are maintained.

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The District uses an enterprise fund to account for activities of the District Permitting Office.
- Internal service funds are used to report activities that provide goods and services to support the District’s other programs and functions through user charges. The District uses an internal service fund to account for the activities of the North Florida Instructional Television Consortium, for which the District is the fiscal agent. Since this service predominantly benefits governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

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

The District uses a private-purpose trust fund to account for scholarship funds established by private donors.

The District uses an employee benefits trust fund to account for the financial resources of the Voluntary Employee Benefits Trust.

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

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found following this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$236.1 million at the close of the most recent fiscal year. Net assets is segregated into capital assets, net of related debt, restricted net assets and unrestricted net assets. Capital assets (e.g., land, buildings, machinery, and equipment), are stated at their cost at the time of acquisition, net of accumulated depreciation and less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide educational and related services to its students; 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. Restricted net assets are those that are constrained by debt covenants, enabling legislation or other legal requirements. Unrestricted net assets is the portion of net assets that can be used to meet the District’s ongoing obligations to citizens and creditors. The deficit in unrestricted net assets is primarily due to three factors:

- The District has never budgeted the amount needed to fully finance liabilities arising from property and casualty claims. The District is self-insured for these claims up to specific limits.
- The District has never had the resources, currently available, in order to budget unused employee vacation and sick days.
- Government Accounting Standards require the District to disclose a liability which represents it’s obligation for post retirement benefits for retirees. This is an implied amount and there currently is no available budget to fund the liability.

The intent of this statement is to provide a long-term outlook for the financial position of the District. The unrestricted net assets of negative \$20.7 million, reflect the long-term requirement to pay for obligations that will become due in future years. For example, compensated absences total \$24.4 million. An estimated \$3 million will be due and payable in fiscal year 2010. Resources will be available to do that. On the other hand, \$21 million will be due and payable two or more years from the date of this statement. The Board does not have the resources, nor should it attempt to find the resources in the short term (i.e. one year), to pay for this non-current portion of the compensated absences liability.

Statement of Net Assets
(in millions)

	Governmental Activities		
	June 30, 2009	June 30, 2008	Percentage Change
Current and Other Assets	\$121.5	\$154.6	-21.4%
Capital Assets	335.5	331.4	1.2%
Total Assets	\$457.0	\$486.0	-6.0%
Long-Term Liabilities	\$191.2	\$197.5	-3.2%
Other Liabilities	29.7	32.5	-8.6%
Total Liabilities	220.9	230.0	-4.0%
Net Assets:			
Invested in Capital Assets, Net of			
Related Debt	204.8	178.1	15.0%
Restricted	52.1	103.2	-49.5%
Unrestricted	-20.8	-25.3	17.8%
Total Net Assets	236.1	256.0	-7.8%
Total Liabilities and Net Assets	\$457.0	\$486.0	-6.0%

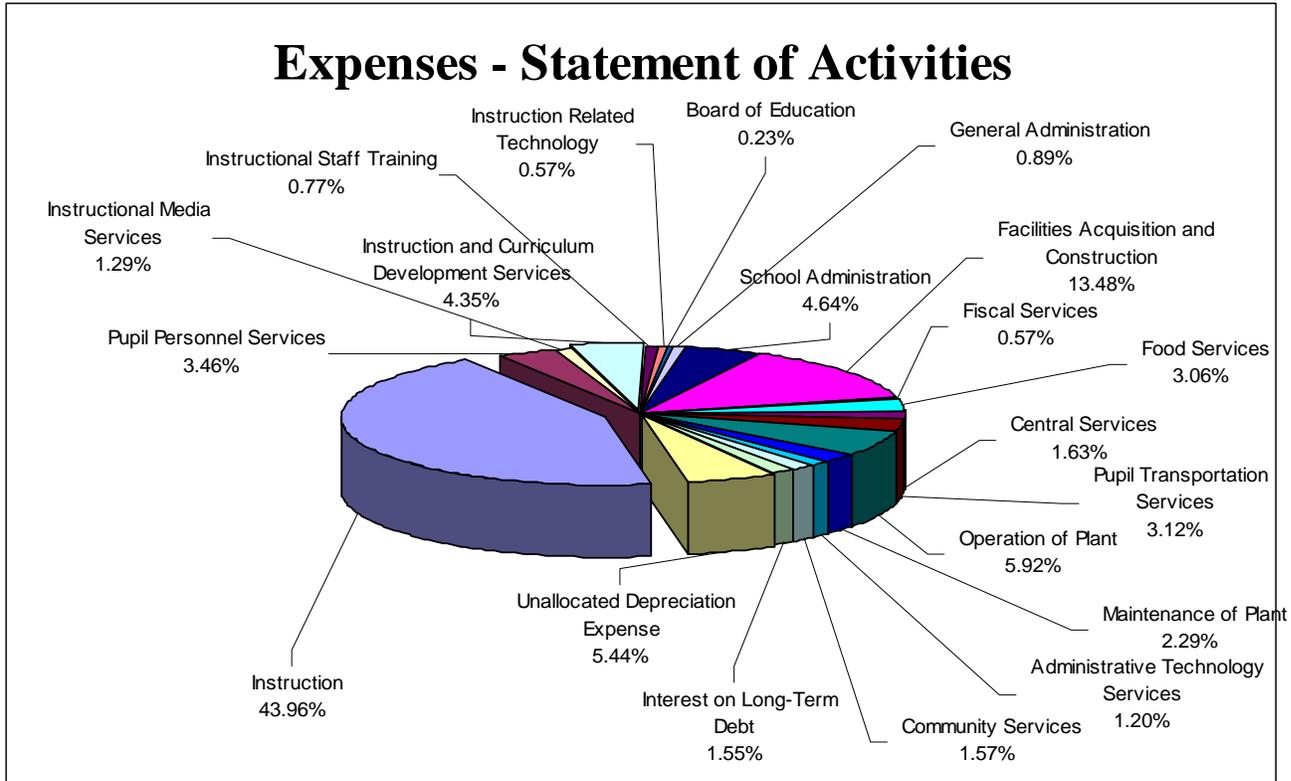
The District’s net assets decreased in total by \$19.4 million during the current fiscal year, primarily as a result of the completion of two new schools and several new additions to existing schools. See pages 11 and 12 “Capital Assets and Long-Term Debt” for additional discussion.

The key elements of the changes in the District's net assets for the fiscal years ending June 30, 2009, and June 30, 2008 are as follows:

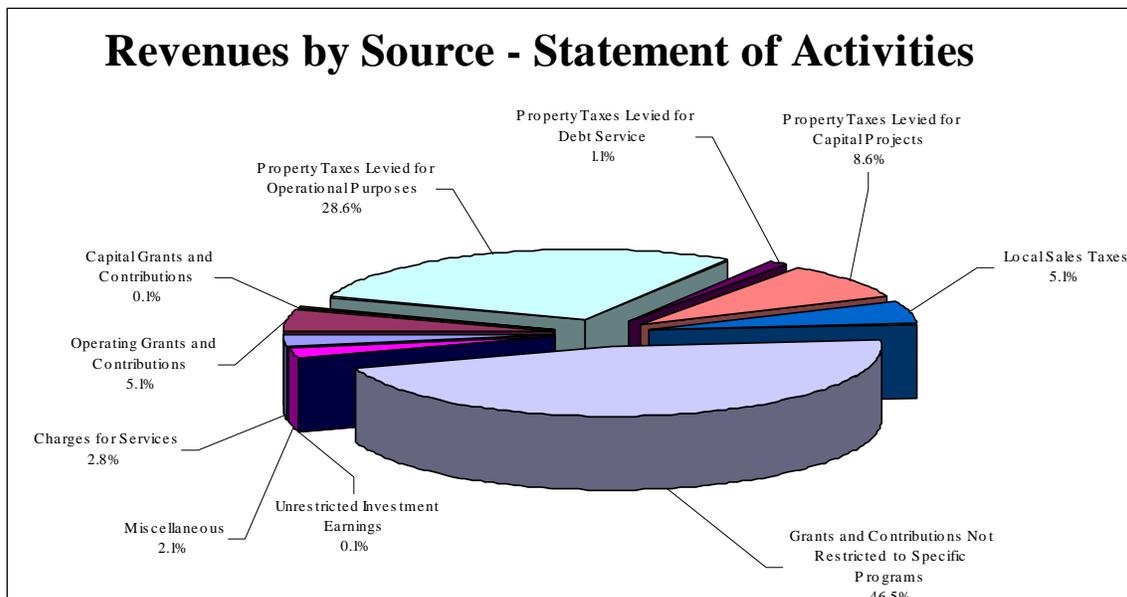
Statement of Activities (in millions)

	Governmental Activities		
	For the Fiscal Year		Percentage
	Ended		
2009	2008	Change	
Revenues			
Program Revenues:			
Charges for Services	\$9.2	\$9.0	2.22%
Operating Grants and Contributions	16.8	13.2	27.27%
Capital Grants and Contributions	0.2	17	-98.24%
Property Taxes Levied for Operational Purposes	94.5	85	11.18%
Property Taxes Levied for Debt Service	3.6	7.5	-52.00%
Property Taxes Levied for Capital Projects	28.3	31.2	-9.29%
Local Sales Taxes	16.7	20	-16.50%
Grants and Contributions Not Restricted to Specific Programs	153.5	171.6	-10.55%
Unrestricted Investment Earnings	0.9	5	-82.00%
Miscellaneous	6.9	9.7	-28.87%
Total Revenues	330.6	369.2	-10.43%
Expenses			
Instruction	\$154.1	\$163.0	-5.46%
Pupil Personnel Services	12.1	13.4	-9.70%
Instructional Media Services	4.5	4.6	-2.17%
Instruction and Curriculum Development Services	15.2	17.9	-15.08%
Instructional Staff Training	2.7	2.4	12.50%
Instruction Related Technology	2	2.7	-25.93%
Board of Education	0.8	0.9	-11.11%
General Administration	3.1	2.4	29.17%
School Administration	16.2	16.5	-1.82%
Facilities Acquisition and Construction	47.5	32.1	47.97%
Fiscal Services	2	2.2	-9.09%
Food Services	10.7	10.3	3.88%
Central Services	5.7	7.2	-20.83%
Pupil Transportation Services	10.9	11.6	-6.03%
Operation of Plant	20.7	20.1	2.99%
Maintenance of Plant	8	8.6	-6.98%
Administrative Technology Services	4.2	4.9	-14.29%
Community Services	5.5	4.9	12.24%
Interest on Long-Term Debt	5.4	6.1	-11.48%
Unallocated Depreciation Expense	19	15.9	19.50%
Total Expenses	350.3	347.9	0.69%
Increase(Decrease) in Net Assets	-19.7	21.2	-192.45%
Net Assets, Beginning	255.8	234.9	8.90%
Net Assets, Ending	\$236.1	\$256.0	-7.73%

The following chart depicts the distribution of expenditures of the District as a whole for the 2008-09 fiscal year:



The following chart depicts the distribution of revenues of the District as a whole for the 2008-09 fiscal year.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds report combined ending fund balances were \$87.8 million, a decrease of \$30 million in comparison with the prior year. Approximately 68 percent of this total amount (\$59.6 million) constitutes unreserved fund balances, which are available for spending at the government's discretion within the purpose of each fund. The remainder of fund balances is reserved to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders outstanding at year-end (\$19.3 million); 2) to fund specific State categorical programs (\$3.3 million); and 3) to fund other restricted purposes (\$5.6 million).

The General Fund is the main operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the General Fund is \$9.1 million, while total fund balance ended at \$26.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 3.9 percent of total General Fund expenditures, while total fund balance represents 10.7 percent of that same amount. The fund balance of the District's General Fund decreased \$4.6 million during the current fiscal year in comparison to a decrease of \$3.6 million in the previous year. This decrease in fund balance reflects an erosion of the overall financial condition of the General Fund representing 2.6 days of expenditures.

The Other Debt Service Fund which is used to account for debt issues such as COPs, and Sales Tax Bonds, has a total fund balance of \$12 million all of which is reserved to make payments on outstanding debt.

The Capital Projects – Capital Improvement Fund which is used to account for capital project activity funded by the District's 1.75 mill tax levy, has a total fund balance of \$13.7 million all of which is reserved for specific capital projects. Current year Fund balance decreased \$8.2 million. The majority of the decrease in fund balance was a result of a legislative reduction in the maximum allowable millage from 2 mills down to 1.75 mills.

The Capital Projects - Other Capital Projects Fund, which is used to account for capital project activity funded by sources such COPs, Sales Taxes, and Class size Reduction dollars, has a total fund balance of \$29.8 million all of which is reserved for capital projects. The net decrease in fund balance during the current year in the Other Capital Projects Fund was \$10 million, and resulted primarily from the funding of major school construction, renovation and remodeling programs throughout the District. See "Capital Assets and Long-Term Debt" below for additional discussion.

GENERAL FUND BUDGETARY HIGHLIGHTS

Many changes are made to the budget over the course of the year. Each change is submitted to the Board for approval. A recap of the significant changes as of June 30, 2009 is listed below.

- The original budget for State sources of revenues in the General Fund totals \$138.4 million, and the final budget is less than that by \$3.9 million.
- The staffing plan is allocated as closely as possible to the proper function at the beginning of the year, however as positions are established, budget amendments are frequently made among the instruction and instructional services functions. Pupil Personnel Services, Instructional Media Services, and Instruction and Curriculum Development Services each reflected increased budgets of \$3.9 million, \$386,000, and \$5.4 million respectively as a result of this process.
- The overall budget for revenues in the General Fund decreased by \$377,000 from the original to the final budget and total expenditure appropriations increased 4.9 million or 1.8% over the course of the year.
- The State of Florida experienced budget shortfalls in FY 2009 resulting in a \$9.1 million decrease in FEFP funding. A decrease of \$6.1 million occurred in fiscal year 2008, meaning fiscal year 2009 FEFP funding was \$15.2 million less than fiscal year 2007.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets as of June 30, 2009, amounts to \$335.5 million (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; audio visual materials and computer software. The total increase in the District's investment in capital assets (net of accumulated depreciation) for the current fiscal year was 1.24 percent.

Major capital asset events during the current fiscal year included the following:

- Completion of Conley Elementary
- Completion of Montford Middle School
- On-going improvements of Pineview Elementary
- Completion of Apalachee Elementary School improvements
- Completion of Killearn Lakes Elementary School improvements
- Completion of Deerlake Middle School improvements
- On-going improvements of Lincoln High School
- Completion of Chiles High School improvements
- On-going improvements of Riley Elementary School
- On-going improvements of Nims Middle School

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

Capital Assets (net of depreciation)

	Governmental Activities	
	June 30, 2009	June 30, 2008
Land	\$15.6	\$14.2
Improvements Other Than		
Buildings	12.8	11.4
Buildings and Fixed Equipment	280.5	212.0
Furniture, Fixtures, and Equipment	12.2	13.1
Motor Vehicles	7.9	7.9
Construction in Progress	4.5	71.5
Computer Software	0.2	0.2
Audio-Visual Materials	1.8	1.1
Total Capital Assets	\$335.5	\$331.4

Long-Term Debt

At the end of the current fiscal year, the District has total debt outstanding of \$150.3 million. Of that total, \$34.2 million is considered to be general “bonded debt” (i.e., backed by the full faith and credit of the District). The remainder of the District’s debt consisted of COPs payable and state school bonds payable.

Schedule of Outstanding Debt

	Governmental Activities	
	June 30, 2009	June 30, 2008
Bonds Payable	\$34.2	\$48.2
Certificates of Participation	108.7	96.9
State School Bonds	7.4	8.2
	\$150.3	\$153.3

During the current fiscal year, the District’s total long-term debt decreased by \$3 million (2 percent). The District continues to retire more debt than is incurred. New debt for the current fiscal year consisted of \$15 million Qualified Academy Zone Bonds financed under the District COPs master lease.

Two issues of General Obligation Bonds, originally issued in 1988 and 1989, and refunded in 1991 and 1993 respectively, were retired with the current year’s appropriation for that debt. These bonds were paid from local property taxes so there will be no future levy to cover this debt.

The District maintains an “AA” rating from Fitch for its GO bonds and an “AA-”rating from Fitch for its COPs and sales tax revenue bonds. These ratings were affirmed in February 2009 in an economic climate that finds many institutional bond ratings declining.

Additional information on the District’s long-term debt can be found in the notes to the financial statements following this report.

OTHER MATTERS OF SIGNIFICANCE

The budget health for the state of Florida continues to be in serious condition. Total Florida tax general revenue receipts estimated for fiscal year 2009-2010 at \$20.7 billion is \$332.4 million less than the estimates for fiscal year 2008-2009, and \$5.7 billion from the peak collections of \$26.4 billion in fiscal year 2006-2007. Estimated revenue of \$25.9 billion in fiscal year 2012-2013 means state revenues at that point will still be \$525 million less than in fiscal year 2006-2007. On a statewide basis, K-12 enrollment has been declining for the past 3 years. The most recent forecast for K-12 enrollment, published on June 11, 2009, predicts a further enrollment decline for the 2010-2011 year. Statewide certified school taxable values of property decreased \$196 billion this fiscal year to \$1.6 trillion. It is forecasted to decrease another \$102 billion next fiscal year. The forecast for fiscal year 2011-2012 is \$1.58 trillion, which still is below the high of \$1.62 trillion in fiscal year 2008-2009. Statewide Lottery proceeds decreased \$110 million this year, and may decrease \$48.6 million next year. The state school trust fund statewide decreased \$97 million to \$121.4 million, and will increase to \$155.7 million in fiscal year 2012-2013, which is still \$62.5 million less than it’s peak amount of \$218.2 million in fiscal year 2008-2009. Public Education Capital Outlay statewide decreased \$857 million to \$359.3 million. The forecast is for it to decrease \$197.4 million in fiscal year 2010-2011. The non-recurring federal stimulus funding is being used to support current funding levels for education. The level of federal stimulus funds supporting the current year education budget is expected to be available again in FY 2010-2011.

American Recovery and Reinvestment Act (ARRA) of 2009 provided a new funding source from federal dollars. The overall goals are to spend funds quickly to save and create jobs, improve student achievement, ensure transparency, reporting, and accountability, and invest the one-time funds thoughtfully in ways to avoid unsustainable continuing commitments after the funding expires. The District applied for and received budget authority for targeted assistance funds, Title One and the Individual with Disabilities Education Act (IDEA), that was effective April 20, 2009. These funds were allocated for Title One (\$1.8 million) and IDEA (\$4 million). No funds were expended before June 30, 2009 but instead were incorporated into a plan, along with Federal State Fiscal Stabilization Funds that were appropriated for the 2010 fiscal year. The collective amounts from each allocation are being used to implement the goals of the Act in the following manner:

1. Spend funds quickly to save and create jobs. The funds are allocated to budgets and are being spent for salaries (74.4%) and other expenditures (25.6%) for items and services such as computers for students and training for teachers. These dollars are being spent as this report is being written. Budgeted personnel positions saved or created include:

Teachers	286
Guidance, Nurses, Social Worker, etc	176
Teacher Aides	174
Other support	<u>12</u>
Total	648

2. Improve student achievement through school improvement and reform. The Fiscal Stabilization funds target Title I schools to pay for teachers that were formerly paid using General Fund dollars. This supports the Title I goals for those schools. The IDEA funds are targeted to increase parent and community involvement; provide technology assistance; provide behavioral and classroom support; increase access to general curriculum; matrix documentation; intervention strategies and placement procedures; and alternative assessments for students exempted from state and district assessments. Title I ARRA funds are used to enhance achievement at the 16 Title I schools. These funds are budgeted for 648 positions of which 286 (44%) are teachers, 176 (27%) are guidance counselors, nurses, social workers, etc, and 174 (27%) are teacher aides, and 17 (2%) are other support personnel. Title I schools, where \$15.2 million will be concentrated, serves 7,741 students. The IDEA ARRA funds equal to \$4.1 million can serve 9,726 eligible students. The budget from these funds for direct classroom instruction is \$20.1 million, which is 84% of the total allocation.

3. Ensure transparency, reporting, and accountability. Quarterly reports to the Florida Department of Education are required to verify how these funds have been spent. The Government Accountability Office conducts surveys on a periodic basis of how these funds are being used.

4. Invest one-time ARRA funds thoughtfully to minimize the “funding cliff.” No salary increases will be awarded with ARRA funding. No payments made using ARRA funds commit the District beyond one year.

REQUESTS FOR INFORMATION

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed:

Chief Financial Officer
Leon County Schools
2757 West Pensacola Street
Tallahassee, FL 32304-2998

Leon County District School Board

Statement of Net Assets

June 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 82,652,209	\$ 44,852	\$ 82,697,061	\$ 1,182,265
Investments	220,101	-	220,101	66,383
Accounts receivable, net	584,030	-	584,030	31,220
Due from other agencies	8,635,016	-	8,635,016	59,237
Internal balances	-	16,396	16,396	-
Inventory	1,849,319	-	1,849,319	-
Prepaid items	-	-	-	45,647
Restricted assets:				
Cash with fiscal agent	22,632,247	-	22,632,247	-
Investments with fiscal agent	2,175,315	-	2,175,315	-
Investments in SBA Fund B surplus funds trust account	921,111	-	921,111	-
Deferred charges:				
Issuance costs	1,791,620	-	1,791,620	-
Noncurrent assets:				
Capital assets:				
Land	15,585,848	-	15,585,848	200,000
Construction in progress	4,452,102	-	4,452,102	-
Improvements other than buildings	32,435,280	-	32,435,280	101,245
Less accumulated depreciation	(19,562,784)	-	(19,562,784)	(62,099)
Buildings and fixed equipment	414,513,830	-	414,513,830	2,006,009
Less accumulated depreciation	(134,001,592)	-	(134,001,592)	(241,136)
Furniture, fixtures, and equipment	52,182,254	-	52,182,254	429,568
Less accumulated depreciation	(39,970,844)	-	(39,970,844)	(192,152)
Motor vehicles	20,214,159	-	20,214,159	24,486
Less accumulated depreciation	(12,282,454)	-	(12,282,454)	(2,245)
Audio visual materials	3,802,379	-	3,802,379	23,802
Less accumulated depreciation	(1,958,292)	-	(1,958,292)	(16,463)
Computer software	1,674,669	-	1,674,669	88,262
Less accumulated depreciation	(1,540,340)	-	(1,540,340)	(31,682)
Total capital assets net of accumulated depreciation	335,544,215	-	335,544,215	2,327,595
Total assets	\$ 457,005,183	\$ 61,248	\$ 457,066,431	\$ 3,712,347

(continued)

Leon County District School Board

Statement of Net Assets (continued)

June 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities and net assets				
Liabilities				
Salaries and wages payable	\$ 6,854,798	\$ -	\$ 6,854,798	\$ 21,228
Payroll deductions and withholdings	10,252,281	4,867	10,257,148	-
Accounts payable	8,159,941	-	8,159,941	116,624
Internal balances	16,396	-	16,396	-
Construction contracts retainage payable	1,793,105	-	1,793,105	-
Accrued interest payable	3,000	-	3,000	-
Deposits payable	130,778	-	130,778	-
Due to other agencies	2,484,468	-	2,484,468	11,111
Sales tax payable	588	-	588	-
Deferred revenue	-	-	-	93,034
<i>Noncurrent liabilities:</i>				
<i>Portion due within one year:</i>				
Notes payable	-	-	-	25,079
Bonds payable	11,050,000	-	11,050,000	-
Liability for compensated absences	3,200,000	-	3,200,000	-
Certificates of participation payable	4,247,000	-	4,247,000	-
Estimated liability for long-term claims	1,744,085	-	1,744,085	-
<i>Portion due after one year:</i>				
Notes payable	-	-	-	1,299,267
Bonds payable	30,455,585	-	30,455,585	-
Liability for compensated absences	21,189,788	-	21,189,788	-
Certificates of participation payable	104,470,321	-	104,470,321	-
Estimated liability for long-term claims	5,902,007	-	5,902,007	-
Other post-employment benefits obligation	8,921,434	-	8,921,434	-
Total liabilities	220,875,575	4,867	220,880,442	1,566,343
Net Assets				
Invested in capital assets, net of related debt	204,792,406	-	204,792,406	1,237,807
<i>Restricted for:</i>				
Categorical carryover programs	3,343,842	-	3,343,842	-
Debt service	18,069,643	-	18,069,643	-
Capital projects	26,932,051	-	26,932,051	168,398
Other purposes	3,772,944	-	3,772,944	192,121
Unrestricted	(20,781,278)	56,381	(20,724,897)	547,678
Total net assets	236,129,608	56,381	236,185,989	2,146,004
Total liabilities and net assets	\$ 457,005,183	\$ 61,248	\$ 457,066,431	\$ 3,712,347

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

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Leon County District School Board

Statement of Activities

For the Fiscal Year Ended June 30, 2009

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction	\$ 154,127,707	\$ 5,585,641	\$ -	\$ -
Pupil personnel services	12,132,732	-	-	-
Instructional media services	4,463,273	-	-	-
Instruction and curriculum development services	15,229,665	-	-	-
Instructional staff training services	2,715,567	-	-	-
Instruction related technology	2,020,366	-	-	-
School Board	801,598	-	-	-
General administration	3,096,623	-	-	-
School administration	16,218,169	-	-	-
Facilities acquisition and construction	47,507,120	-	3,539,141	251,355
Fiscal services	2,021,761	-	-	-
Food services	10,684,814	3,621,809	6,957,483	-
Central services	5,666,134	-	-	-
Pupil transportation	10,856,983	-	5,212,024	-
Operation of plant	20,683,457	-	-	-
Maintenance of plant	8,000,706	-	-	-
Administrative technology services	4,253,714	-	-	-
Community services	5,454,588	-	-	-
Interest on long-term debt	5,398,584	-	1,123,498	-
Unallocated depreciation/amortization expense	18,991,231	-	-	-
Total governmental activities	<u>350,324,792</u>	<u>9,207,450</u>	<u>16,832,146</u>	<u>251,355</u>
Business-type activities:				
Other business-type activity	67,519	92,310	-	-
Total business-type activities	<u>67,519</u>	<u>92,310</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 350,392,311</u>	<u>\$ 9,299,760</u>	<u>\$ 16,832,146</u>	<u>\$ 251,355</u>
Component units:				
Charter schools and foundation	\$ 7,854,907	\$ 213,326	\$ 517,547	\$ 183,940
Total component units	<u>\$ 7,854,907</u>	<u>\$ 213,326</u>	<u>\$ 517,547</u>	<u>\$ 183,940</u>

General Revenues:

Taxes:

Property taxes, levied for operational purposes

Property taxes, levied for debt service

Property taxes, levied for capital projects

Local sales taxes

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

Extraordinary items

Total general revenues, special items, extraordinary items, and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (148,542,066)	\$ -	\$ (148,542,066)	\$ -
(12,132,732)	-	(12,132,732)	-
(4,463,273)	-	(4,463,273)	-
(15,229,665)	-	(15,229,665)	-
(2,715,567)	-	(2,715,567)	-
(2,020,366)	-	(2,020,366)	-
(801,598)	-	(801,598)	-
(3,096,623)	-	(3,096,623)	-
(16,218,169)	-	(16,218,169)	-
(43,716,624)	-	(43,716,624)	-
(2,021,761)	-	(2,021,761)	-
(105,522)	-	(105,522)	-
(5,666,134)	-	(5,666,134)	-
(5,644,959)	-	(5,644,959)	-
(20,683,457)	-	(20,683,457)	-
(8,000,706)	-	(8,000,706)	-
(4,253,714)	-	(4,253,714)	-
(5,454,588)	-	(5,454,588)	-
(4,275,086)	-	(4,275,086)	-
(18,991,231)	-	(18,991,231)	-
<u>(324,033,841)</u>	<u>-</u>	<u>(324,033,841)</u>	<u>-</u>
-	24,791	24,791	-
-	24,791	24,791	-
<u>\$ (324,033,841)</u>	<u>\$ 24,791</u>	<u>\$ (324,009,050)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,940,094)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,940,094)</u>
\$ 94,458,350	\$ -	\$ 94,458,350	\$ -
3,616,401	-	3,616,401	-
28,271,385	-	28,271,385	-
16,710,041	-	16,710,041	-
153,479,218	-	153,479,218	6,583,308
854,809	176	854,985	9,500
6,905,172	-	6,905,172	712,018
80,000	-	80,000	-
<u>304,375,376</u>	<u>176</u>	<u>304,375,552</u>	<u>7,304,826</u>
(19,658,465)	24,967	(19,633,498)	364,732
255,788,073	31,414	255,819,487	1,781,272
<u>\$ 236,129,608</u>	<u>\$ 56,381</u>	<u>\$ 236,185,989</u>	<u>\$ 2,146,004</u>

Leon County District School Board

Balance Sheet - Governmental Funds

June 30, 2009

	General	Other Debt Service	Capital Improvement Section 1011.71(2) F.S.	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 43,550,089	\$ 12,042,601	\$ 17,300,394	\$ 27,567,113	\$ 4,802,571	\$ 105,262,768
Investments	420,498	-	-	444,308	276,407	1,141,213
Taxes receivable, net	-	-	-	-	-	-
Accounts receivable, net	469,349	-	-	-	114,681	584,030
Due from other funds:						
Budgetary funds	785,146	-	92	2,498,521	33,660	3,317,419
Internal funds	142,814	-	-	-	-	142,814
Due from other agencies	468,857	-	-	4,074,827	3,947,795	8,491,479
Inventory	1,087,229	-	-	-	762,090	1,849,319
Total assets	<u>\$ 46,923,982</u>	<u>\$ 12,042,601</u>	<u>\$ 17,300,486</u>	<u>\$ 34,584,769</u>	<u>\$ 9,937,204</u>	<u>\$ 120,789,042</u>
Liabilities and fund balances						
Liabilities						
Salaries, benefits, and payroll taxes payable	\$ 6,388,133	\$ -	\$ -	\$ -	\$ 466,664	\$ 6,854,797
Payroll deductions and withholdings	11,433,430	-	-	-	1,302,531	12,735,961
Accounts payable	2,913,245	1,750	2,454,926	1,328,907	1,461,114	8,159,942
Construction contracts payable - retained percentage	-	-	680,648	1,108,726	3,731	1,793,105
Matured bonds payable	-	-	-	-	3,000	3,000
Sales tax payable	588	-	-	-	-	588
Deposits payable	-	-	-	-	130,778	130,778
Due to other agencies	64	-	-	-	-	64
Due to other funds:						
Budgetary funds	36,479	-	464,857	2,322,635	507,464	3,331,435
Total liabilities	<u>20,771,939</u>	<u>1,750</u>	<u>3,600,431</u>	<u>4,760,268</u>	<u>3,875,282</u>	<u>33,009,670</u>
Fund balances						
Reserved for:						
State required carryover programs	3,212,735	-	-	131,106	-	3,343,841
Encumbrances	951,290	-	9,411,140	8,236,277	683,366	19,282,073
Inventory	1,087,229	-	-	-	762,089	1,849,318
Other purposes	3,753,638	-	-	-	-	3,753,638
Unreserved:						
Designated for, reported in:						
General fund	8,059,866	-	-	-	-	8,059,866
Undesignated, reported in:						
General fund	9,087,285	-	-	-	-	9,087,285
Special revenue funds	-	-	-	-	(117,614)	(117,614)
Debt service funds	-	12,040,851	-	-	4,353,377	16,394,228
Capital projects funds	-	-	4,288,915	21,457,118	380,704	26,126,737
Total fund balances	<u>26,152,043</u>	<u>12,040,851</u>	<u>13,700,055</u>	<u>29,824,501</u>	<u>6,061,922</u>	<u>87,779,372</u>
Total liabilities and fund balances	<u>\$ 46,923,982</u>	<u>\$ 12,042,601</u>	<u>\$ 17,300,486</u>	<u>\$ 34,584,769</u>	<u>\$ 9,937,204</u>	<u>\$ 120,789,042</u>

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

Leon County District School Board

Reconciliation of the Governmental Funds Balance Sheet
to the Government-wide Statement of Net Assets

Year ended June 30, 2009

Total fund balances - governmental funds	\$ 87,779,372
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.	335,544,215
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,791,620
Investments with Fiscal Agent	2,175,315
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	19,306
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(191,180,220)</u>
Total net assets - governmental activities	<u><u>\$ 236,129,608</u></u>

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

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Leon County District School Board

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds

Year ended June 30, 2009

	General	Other Debt Service	Capital Improvement Section 1011.71(2) F.S.
Revenues			
Federal direct	\$ 224,010	\$ -	\$ -
Federal through state and local	1,171,451	-	-
State sources	134,451,673	-	-
Local sources:			
Property taxes levied for operational purposes	94,458,350	-	-
Property taxes levied for debt service	-	-	-
Property taxes levied for capital projects	-	-	28,271,385
Local sales taxes	-	-	-
Charges for service - food service	-	-	-
Other local revenue	10,265,057	3,019	207,551
Total local sources	<u>104,723,407</u>	<u>3,019</u>	<u>28,478,936</u>
Total revenues	<u>240,570,541</u>	<u>3,019</u>	<u>28,478,936</u>
Expenditures			
Current:			
Instruction	144,834,491	-	-
Pupil personnel services	10,612,729	-	-
Instructional media services	4,450,940	-	-
Instruction and curriculum development services	10,068,357	-	-
Instructional staff training services	391,503	-	-
Instruction related technology	2,002,050	-	-
School board	807,097	-	-
General administration	1,876,039	-	-
School administration	16,347,529	-	-
Facilities acquisition and construction	1,156,350	-	246,020
Fiscal services	2,049,087	-	-
Food services	-	-	-
Central services	5,559,868	-	-
Pupil transportation services	10,613,320	-	-
Operation of plant	20,776,205	-	-
Maintenance of plant	8,077,543	-	-
Administrative technology services	4,301,630	-	-
Community services	4,435,084	-	-
Debt service:			
Retirement of principal	-	9,933,854	-
Interest	-	5,042,299	-
Dues, fees, and issuance costs	-	77,594	-
Miscellaneous expenditures	-	-	-
Capital outlay:			
Facilities acquisition and construction	210,345	-	25,480,172
Other capital outlay	885,063	-	-
Total expenditures	<u>249,455,230</u>	<u>15,053,747</u>	<u>25,726,192</u>
Excess (deficiency) of revenues over (under) expenditures	(8,884,689)	(15,050,728)	2,752,744
Other financing sources (uses)			
Long-term bonds issued	-	15,000,000	-
Proceeds from the sale of capital assets	80,000	-	-
Transfers in	4,233,650	15,149,090	-
Transfers out	<u>(57,535)</u>	<u>(14,936,671)</u>	<u>(10,987,445)</u>
Total other financing sources (uses)	4,256,115	15,212,419	(10,987,445)
Net change in fund balances	(4,628,574)	161,691	(8,234,701)
Fund balances, July 1, 2008	30,780,617	11,879,160	21,934,756
Adjustment to fund balances	-	-	-
Fund balances, June 30, 2009	<u>\$ 26,152,043</u>	<u>\$ 12,040,851</u>	<u>\$ 13,700,055</u>

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

	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
\$	-	\$ 1,085,268	\$ 1,309,278
	-	30,474,060	31,645,511
	-	5,276,395	139,728,068
	-	-	94,458,350
	-	3,616,402	3,616,402
	-	-	28,271,385
	16,710,041	-	16,710,041
	-	3,621,808	3,621,808
	620,343	(372,871)	10,723,099
	<u>17,330,384</u>	<u>6,865,339</u>	<u>157,401,085</u>
	17,330,384	43,701,062	330,083,942
	-	11,164,912	155,999,403
	-	1,675,376	12,288,105
	-	61,180	4,512,120
	-	5,362,801	15,431,158
	-	2,345,308	2,736,811
	-	43,906	2,045,956
	-	400	807,497
	-	1,241,375	3,117,414
	-	98,151	16,445,680
	2,861	16,599	1,421,830
	-	256	2,049,343
	-	10,744,566	10,744,566
	-	171,008	5,730,876
	-	359,737	10,973,057
	-	18,404	20,794,609
	-	4,319	8,081,862
	-	-	4,301,630
	-	1,077,365	5,512,449
	-	7,920,000	17,853,854
	-	798,186	5,840,485
	-	105,434	183,028
	-	22,423	22,423
	34,021,320	7,506,450	67,218,287
	-	1,118,704	2,003,767
	<u>34,024,181</u>	<u>51,856,860</u>	<u>376,116,210</u>
	(16,693,797)	(8,155,797)	(46,032,268)
	-	-	15,000,000
	-	-	80,000
	14,936,671	257,535	34,576,946
	<u>(8,215,879)</u>	<u>(379,416)</u>	<u>(34,576,946)</u>
	6,720,792	(121,881)	15,080,000
	(9,973,005)	(8,277,679)	(30,952,268)
	39,797,506	14,337,295	118,729,334
	-	2,306	2,306
	<u>\$ 29,824,501</u>	<u>\$ 6,061,922</u>	<u>\$ 87,779,372</u>

Leon County District School Board

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the
Government-wide Statement of Activities

Year ended June 30, 2009

Net change in fund balances - governmental funds	\$ (30,952,268)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlays 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.	4,284,030
The statement of activities reflects only the gain/loss on the sale of assets, whereas the governmental funds include all proceeds from these sales. Thus, the change in net assets differs from the change in fund balances by the cost of assets sold.	(146,758)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds in the current period.	2,853,854
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 leave used. This is the net amount of vacation and sick leave used in the current period in excess of the amount earned.	8,023,469
The net change in the liability for estimated insurance claims is reported in the statement of activities. This is the net estimated increase in insurance claims.	(439,915)
Other post employment benefits (OPEB) represents an implicit liability as a result of District retirees in the same pool with employees. This is an actuarial estimate of the current expense related to that liability.	(4,453,530)
Interest earned on investments with fiscal agents is for future payment of bonds. This interest is reflected in the statement of activities.	499,899
Costs associated with the sale and refunding of bond issues are to be amortized over the life of the issue(s). These costs are reflected in the statement of activities.	682,100
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net loss of internal service funds is reported with governmental activities.	<u>(9,346)</u>
Change in net assets of governmental activities	<u><u>\$ (19,658,465)</u></u>

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

Leon County District School Board

Statement of Net Assets -
Proprietary Funds

June 30, 2009

	Permitting Office Enterprise Funds	NFITV Consortium Internal Service Funds
	<u> </u>	<u> </u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 44,852	\$ 21,687
Due from other funds - budgetary	17,120	-
Total assets	<u>\$ 61,972</u>	<u>\$ 21,687</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 4,867	\$ -
Due to other funds - budgetary	724	2,381
Total current liabilities	<u>5,591</u>	<u>2,381</u>
Net assets		
Unrestricted	<u>56,381</u>	<u>19,306</u>
Total net assets	<u>56,381</u>	<u>19,306</u>
Total liabilities and net assets	<u>\$ 61,972</u>	<u>\$ 21,687</u>

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

Leon County District School Board

Statement of Revenues, Expenses, and Changes in Fund Net Assets -
Proprietary Funds

Year ended June 30, 2009

	Permitting Office Enterprise Funds	NFITV Consortium Internal Service Funds
Operating Revenues		
Charges for services	\$ 92,311	\$ -
Total operating revenues	92,311	-
Operating Expenses		
Purchased services	66,647	9,526
Materials and supplies	323	-
Other expenses	550	-
Total operating expenses	67,520	9,526
Operating income (loss)	24,791	(9,526)
Nonoperating revenues (expenses)		
Interest revenue	176	180
Total nonoperating revenues (expenses)	176	180
Income (loss) before operating transfers	24,967	(9,346)
Change in net assets	24,967	(9,346)
Net assets - July 1, 2008	31,414	28,652
Net assets - June 30, 2009	\$ 56,381	\$ 19,306

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

Leon County District School Board

Statement of Cash Flows -
Proprietary Funds

Year ended June 30, 2009

	Permitting Office Enterprise Funds	NFITV Consortium Internal Service Funds
	<u> </u>	<u> </u>
Cash flows from operating activities		
Receipts from customers and users	\$ 94,348	\$ -
Payments to suppliers	(67,926)	(14,288)
Net cash provided (used) by operating activities	<u>26,422</u>	<u>(14,288)</u>
 Cash flows from investing activities		
Proceeds from sales and maturities of investments	36	34
Interest and dividends received	176	179
Purchase of investments	-	-
Net cash provided (used) by investing activities	<u>212</u>	<u>213</u>
 Net increase (decrease) in cash and cash equivalents	26,634	(14,075)
Cash and cash equivalents - July 1, 2008	18,218	35,762
Cash and cash equivalents - June 30, 2009	<u>\$ 44,852</u>	<u>\$ 21,687</u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 24,791	\$ (9,526)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	246	-
(Increase) decrease in due from other funds	1,792	-
Increase (decrease) in accounts payable	(519)	-
Increase (decrease) in due to other funds	112	(4,762)
Total adjustments	<u>1,631</u>	<u>(4,762)</u>
Net cash provided (used) by operating activities	<u>\$ 26,422</u>	<u>\$ (14,288)</u>

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

Leon County District School Board

Statement of Fiduciary Net Assets -
Fiduciary Funds

June 30, 2009

	Frank Stoutamire Private-Purpose Trust Funds	Voluntary Employee Benefits Trust Funds	Internal Accounts Agency Funds
Assets			
Cash and cash equivalents	\$ 56,335	\$ 4,299,190	\$ 4,215,148
Investments	-	21,113	-
Accounts receivable, net	-	16,305	-
Due from other funds - budgetary	-	2,483,679	-
Total assets	<u>\$ 56,335</u>	<u>\$ 6,820,287</u>	<u>\$ 4,215,148</u>
Liabilities			
Salaries, benefits, and payroll taxes payable	\$ -	\$ 487,962	\$ -
Payroll deductions and withholdings	-	5,569,272	-
Due to other funds - budgetary	-	-	142,814
Internal accounts payable	-	-	4,072,334
Total liabilities	<u>-</u>	<u>6,057,234</u>	<u>4,215,148</u>
Net assets			
Assets held in trust for pension benefits	-	763,053	-
Assets held in trust for scholarships and other purposes	56,335	-	-
Total net assets	<u>56,335</u>	<u>763,053</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 56,335</u>	<u>\$ 6,820,287</u>	<u>\$ 4,215,148</u>

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

Leon County District School Board

Statement of Changes in Fiduciary Net Assets -
Fiduciary Funds

Year ended June 30, 2009

	Frank Stoutamire Private-Purpose Trust Funds	Voluntary Employee Benefits Trust Funds
	<u> </u>	<u> </u>
Additions		
Contributions:		
Employer	\$ -	\$ 13,690,165
Plan members	-	11,528,350
Investment earnings:		
Interest	339	29,458
Net increase (decrease) in the fair value of investments	-	(19,974)
Total investment earnings	<u>339</u>	<u>9,484</u>
Less investment expense	-	-
Net investment earnings	<u>339</u>	<u>9,484</u>
Total additions	339	25,227,999
Deductions		
Other expenses	-	27,261,505
Total deductions	<u>-</u>	<u>27,261,505</u>
Change in net assets	339	(2,033,506)
Net assets - July 1, 2008	<u>55,996</u>	<u>2,796,559</u>
Net assets - June 30, 2009	<u><u>\$ 56,335</u></u>	<u><u>\$ 763,053</u></u>

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

Leon County District School Board
Notes to Financial Statements

Year ended June 30, 2009

1. Summary of Significant Accounting Policies

The accounting policies of Leon County District School Board (the District) conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the significant accounting policies and is an integral part of these general purpose financial statements.

Reporting Entity

The District has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education. The governing body of the District is the Leon 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 Leon County.

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

Based on the application of these criteria, the following component units are included within the District's reporting entity:

Blended Component Units – The District's employee group health, life, and dental insurance program, as well as its dependent care and medical expense reimbursement program, are administered through the Leon County District School Board Voluntary Employee Benefits Trust (VEBT). Due to the substantive economic relationship between the District and VEBT, the financial activities of VEBT are reported in the accompanying basic financial statements. Separate financial statements for VEBT are not published.

The Leon School Board Leasing Corporation (the Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 5. Due to the substantive economic relationship between the District and the Corporation, the financial activities of the Corporation are included in the accompanying general purpose financial statements, and separate financial statements for the Corporation are not published.

Leon County District School Board
Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Reporting Entity (continued)

Discretely Presented Component Units – The component unit columns in the basic financial statements include the financial data of the District’s other component units, which include the Leon County Schools Foundation, Inc.; The Bethel Empowerment Foundation, Inc.; The School of Arts and Sciences Foundation, Inc.; Life Skills Center Leon County, Inc.; and STARS Educational Services, Inc.

The Leon County Schools Foundation (the Foundation), Inc. is a separate, not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to provide charitable and educational aid to the School Board, to promote education, and to encourage research, learning, and dissemination of information. The Foundation is considered a component unit of the District because of the nature and significance of its relationship with the District. An audit of the Foundation for the fiscal year ended June 30, 2009, was performed and the audit report is available at the District office.

The Bethel Empowerment Foundation, Inc. conducting business as the C.K. Steele-Leroy Collins Middle School, and the School of Arts and Sciences Foundation, Inc., Life Skills Center Leon County, Inc. and STARS Educational Services, Inc. (Charter Schools) are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporations Act, and Section 1002.33, Florida Statutes. Each Charter School operates under a charter approved by its sponsor, the District. A portion of these not-for-profit corporations’ funding comes from the School Board based on their weighted full-time equivalent student membership and the legislatively-approved funding for the School Board. The Charter Schools are considered component units because they are fiscally dependent on the District to levy property taxes for their support. Audits of Charter Schools for the fiscal year ended June 30, 2009, were performed and are on file at the District office.

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 District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units. The statements distinguish between governmental activities of the District and those that are considered business-type activities.

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 and for each segment of the business-type activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function.

Leon County District School Board
Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Program revenues include charges paid by the recipients of goods or services offered by the programs 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, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment 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, except for the net residual amounts between governmental and business-type activities.

Fund Financial Statements – Fund financial statements report detailed information about the District in the governmental, proprietary, 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. Non-major 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, reconciliations are presented with 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 purposes.

Debt Service – Other Fund – to account for the financial resources generated by the issuance of long-term debt and to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy, to be used for educational capital outlay needs, including new construction, renovation, and remodeling projects.

Capital Projects – Other Fund – to account for the financial resources generated by various sources such as Certificates of Participation, local sales tax, and Classrooms for Kids, to be used for educational capital outlay needs, including new construction, renovation, and remodeling projects.

Additionally, the District reports the following proprietary and fiduciary funds:

Internal Service Fund – to account for the activities of the North Florida Instructional Television Consortium (NFITV) for which the District is fiscal agent. The NFITV provides educational cable programming for participating school boards on a fee-for-service basis.

Leon County District School Board
Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Enterprise Fund – to account for the activities of the District Permitting Office.

Other Employee Benefits Trust Fund – to account for the financial resources of the VEBT that administers the District’s employee group health, life, and dental insurance program, as well as the dependent care and medical expense reimbursement program.

Private-Purpose Trust Fund – to account for resources of the Frank Stoutamire Scholarship Trust Fund, the interest earnings of which are used for scholarships to students at Lively Technical Center.

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

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 proprietary funds and 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 measureable 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, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Leon County District School Board
Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

The proprietary funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board thereafter. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues and expenses of the District's proprietary funds relate to the services provided by the District Permitting Office and the NFITV. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

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, shown as discretely presented component units, are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

The Foundation, shown as a discretely presented component unit, is accounted for using the modified cash basis of accounting whereby revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. Modifications to the cash basis of accounting included recording depreciation on property and equipment and accruing payroll taxes.

Deposits and Investments

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits, except for cash with fiscal agents, are insured by the Federal Deposit Insurance Corporation and/or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and investments held with fiscal agents is uncollateralized but held in a trust capacity both under a paying agent agreement for payment of maturing bond principal and interest and under a trust agreement.

The District considers deposits with an original maturity of three months or less to be cash equivalents.

Leon County District School Board
Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Deposits and Investments (continued)

Investments consist of amounts placed with the State Board of Administration. Debt service accounts for investment of debt service money and amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund and the Fund B Surplus Funds Trust Fund investment pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. On December 4, 2007, the State Board of Administration restructured the Local Government Surplus Funds Trust Fund to also establish the Fund B Surplus Funds Trust Fund. This was a result of investments that had been made in subprime mortgage instruments. The Local Government Surplus Funds Trust Fund remains as the ongoing fund for participants comprised of top-tier money market assets. The State Board of Administration Fund B Surplus Funds Trust Fund contains securities whereby the payout timing and amount is less certain.

The District's investments, as of June 30, 2009, in the Local Government Surplus Funds Trust Fund, which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The investments are reported at fair value, which is amortized cost.

The District's investments in the Fund B Surplus Funds Trust Fund are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.51370946 at June 30, 2009. The Fund B Surplus Funds Trust Fund is not subject to participant withdrawal requests. Distributions from the Fund B Surplus Funds Trust Fund, as determined by the State Board of Administration, are effected by transferring eligible cash or securities to the Local Government Surplus Funds Trust Fund, consistent with the pro rata allocation of pool shareholders of record at the creation of the Fund B Surplus Funds Trust Fund. One hundred percent of such distributions from the Fund B Surplus Funds Trust Fund are available as a liquid balance within the Local Government Surplus Funds Trust Fund.

Effective August 3, 2009, the Local Government Surplus Funds Trust Fund became Florida PRIME. This change was the result of specific state legislation, analysis of industry best practices, input of both past and present participants, and recommendations of the SBA Trustees. Additional information regarding Florida PRIME can be obtained at <https://www.sbafla.com/pool>.

All other investments consist of money market mutual funds.

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

Leon County District School Board
Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Warehouse, maintenance, and transportation inventories are stated on a weighted moving-average basis. Food service inventories are stated at the last invoice price, 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 required 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 \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Building improvements	8 – 35 years
Buildings	40 years
Furniture, fixtures, and equipment	3 – 15 years
Motor vehicles	5 – 10 years
Audio visual materials	3 – 5 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. Bonds payable and certificates of participation payable are reported net of applicable premiums and discounts. Bond and certificates of participation premiums and discounts, as well as issuance costs, are deferred charges and amortized over the life of the debt.

Leon County District School Board
Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Long-term Liabilities (continued)

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums and discounts, as well as issuance costs during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

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 (the 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 these 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 for the unencumbered balance of categorical educational program resources.

Leon County District School Board
Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

State Revenue Sources (continued)

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 lottery-funded Public School Capital Outlay Program commonly called the “Classrooms for Kids.” 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 Leon County Property Appraiser, and property taxes are collected by the Leon County Tax Collector.

The School Board adopted the 2008 tax levy on September 9, 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 four percent for early payment.

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

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

School Capital Outlay Surtax

The citizens of Leon County, on November 5, 2002, approved a .05 percent school capital outlay sales surtax authorized under Section 212.055(6), Florida Statutes, for a period of 10 years, beginning January 1, 2003. The surtax proceeds are to be used to finance educational facilities, including construction, reconstruction, renovation, remodeling, land acquisition and improvement, retrofitting, and the purchase of technology equipment, hardware, and software for the District.

Leon County District School Board
Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

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 District 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.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders and other commitments, such as construction contracts, are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

Leon County District School Board
Notes to Financial Statements

3. Investments

As of June 30, 2009, the District has the following investments and maturities:

<u>Investments</u>	<u>Maturities</u>	<u>Value</u>
State Board of Administration:		
Fund B Surplus Funds Trust Fund	6.87 year average	\$ 921,111
Debt service accounts	6 months	220,101
United States Treasury securities (1)	July 2004 – April 2028	2,175,315
Total investments		<u>\$ 3,316,527</u>

Note: (1) This investment is held under a trust agreement in connection with the sinking fund requirement related to the Series 2004-QZAB Certificates of Participation (see Note 5).

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair value by limiting the weighted average maturity of its investments to less than six months. State Board of Administration Fund B and the United States Treasury Securities held in trust for the future retirement of the Series 2004-QZAB, 2008, and 2008B Certificates of Participation are exceptions to this policy.

The maturity of the State Board of Administration Florida PRIME Investment Pool and the U.S. Bank holdings are based on the weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The maturity of the State Board of Administration Local Government Fund B Surplus Funds Trust Fund is based on the weighted average life (WAL). A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates as of June 30, 2009.

Leon County District School Board
Notes to Financial Statements

3. Investments (continued)

Credit Risk

Section 218.415(17), Florida Statutes, authorizes the District to invest in the Florida PRIME, 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 by Section 280.02, Florida Statutes; and direct obligations of the U.S. Treasury. The District's investment policy states that it shall be the responsibility of the Superintendent or his authorized representative to promptly invest temporarily idle funds in the most efficient manner in those legal instruments prescribed by law, so as to earn the best return on those funds.

The District's investments in the State Board of Administration Debt Service Accounts are to provide for debt service payments on bonded debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the State Board of Administration for managing risk for this account.

The State Board of Administration Government Surplus Funds Trust Fund, also known as the Local Government Investment Pool (LGIP), was restructured in December 2007. The fund was divided into two pools. As of June 30, 2009, the LGIP was rated with a AAAM rating by Standard and Poor's. The Fund B Surplus Trust Funds is unrated.

The District's investments in U.S. Treasury securities are unrated.

Leon County District School Board
Notes to Financial Statements

4. Capital Assets

Changes in capital assets are presented in the table below:

	Balance as of July 1, 2008	Additions	Deletions	Balance as of June 30, 2009
Governmental activities				
Nondepreciable capital assets:				
Land	\$ 14,179,138	\$ 1,406,710	\$ –	\$ 15,585,848
Construction in progress	71,527,623	14,952,330	82,027,851	4,452,102
Total nondepreciable capital assets	85,706,761	16,359,040	82,027,851	20,037,950
Depreciable capital assets:				
Improvements other than buildings	28,527,785	3,907,495	–	32,435,280
Buildings and fixed equipment	336,081,953	78,431,877	–	414,513,830
Furniture, fixtures, and equipment	49,838,944	3,860,087	1,516,777	52,182,254
Motor vehicles	18,748,266	1,618,643	152,750	20,214,159
Audio visual materials	2,803,211	999,168	–	3,802,379
Computer software	2,470,726	3,495	799,552	1,674,669
Total depreciable capital assets	438,470,885	88,820,765	2,469,079	524,822,571
Less accumulated depreciation:				
Improvements other than buildings	17,093,032	2,469,752	–	19,562,784
Buildings and fixed equipment	124,117,594	9,883,998	–	134,001,592
Furniture, fixtures, and equipment	36,724,800	4,616,537	1,370,493	39,970,844
Motor vehicles	10,886,654	1,548,550	152,750	12,282,454
Audio visual materials	1,666,747	291,545	–	1,958,292
Computer software	2,305,327	34,090	799,077	1,540,340
Total accumulated depreciation	192,794,154	18,844,472	2,322,320	209,316,306
Net depreciable capital assets	245,676,731	69,976,293	146,759	315,506,265
Governmental activities capital assets	<u>\$ 331,383,492</u>	<u>\$86,335,333</u>	<u>\$82,174,610</u>	<u>\$ 335,544,215</u>

The class of property under capital lease is presented in Note 5.

The District's capital assets serve multiple functions; therefore, a depreciation expense was not allocated to the various expense functions on the statement of activities, but is shown as unallocated depreciation expense.

5. Certificates of Participation

The District entered into a financing arrangement on October 1, 1997, which was characterized as a lease-purchase agreement with the Corporation, whereby the District secured financing of Lawton Chiles High School in the total amount of \$34,970,000. The financing was accomplished through the issuance of Certificates of Participation (COPs) Series 1997, to be repaid from the proceeds of rents paid by the District.

Leon County District School Board
Notes to Financial Statements

5. Certificates of Participation (continued)

On November 1, 2004, the master financial arrangement was amended and the Corporation issued Certificates of Participation, Series 2004-Qualified Zone Academy Bonds (QZAB), in the amount of \$3,313,000. Under the terms of the lease agreement for the Series 2004-QZAB, the District is required to make the five annual payments of \$418,854, which are deposited with a Trustee and are to be invested in accordance with a repurchase agreement until maturity and, when combined with interest earnings, will be sufficient to pay off the principal balance in full, at maturity on November 23, 2020.

On March 9, 2005, the Corporation issued COPs, Series 2005, in the amount of \$27,285,000 to advance refund a portion of the COPs, Series 1997.

On June 15, 2006, the master financing arrangement was amended and the Corporation issued COPs, Series 2006, in the amount of \$61,795,000. The Series 2006 certificates were issued to secure financing of various educational facilities throughout the district.

On March 6, 2008, the master financing arrangement was amended and the Corporation issued COPs, Series 2008-QZAB, in the amount of \$5,000,000. The QZAB's were issued to secure financing of improvements to be made at three District schools.

On July 25, 2008, the master financing arrangement was amended and the Corporation issued Certificates of Participation, Series 2008B-QZAB, in the amount of \$15,000,000. The QZAB's were issued to secure financing of improvements to be made at three District schools.

As a condition of the financing arrangement, the District has given a ground lease on District properties to the Corporation, with a rental fee of \$10 per year. The initial terms of the lease are approximately 35 years commencing on October 1, 1997 (Series 1997 COPs); 16 years commencing on November 1, 2004 (Series 2004-QZAB); 17 years commencing on March 1, 2005 (Series 2005, COPS Refunding); 20 years commencing June 15, 2006 (Series 2006 COPs); 16 years commencing on March 6, 2009 (Series 2008-QZAB); and 15 years commencing on July 25, 2008. 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 to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the COPs for a period of time specified by the arrangement which may be up to 35 years from the date of inception of the arrangement.

Leon County District School Board
Notes to Financial Statements

5. Certificates of Participation (continued)

The District properties included in the ground lease under this arrangement include the Lawton Chiles High School (Series 1997 and Series 2005, Refunding), technology equipment at 24 District school sites as listed in the Lease Schedule for the Series 2004-QZAB Certificates, Montford Middle School, Conley Elementary School, Pineview Elementary School, Deerlake Middle School, Killlearn Lakes Elementary School, Lawton Chiles High School, and Lincoln High School (Series 2006); and technology-related improvements at Riley Elementary School, Griffin Middle School, and Godby High School (Series 2008A-QZAB Certificates and 2008B-QZAB Certificates).

The Series 2004-QZAB Certificates mature on November 23, 2020, with interest paid by the federal government in the form of annual tax credits to the holders of the COPs. The lease payments for the Series 2005, COPs Refunding, and Series 2006, COPs are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 2.75 to 4.25 percent and 3.625 to 5 percent, respectively. The lease payments for the Series 2008-QZAB Certificates are payable annually on March 9 at a fixed interest rate of 0.19 percent. The lease payments for the Series 2008B-QZAB Certificates are payable annually on July 25 at a fixed interest rate of 1.7 percent. The following is a schedule by years of future minimum lease payments under the lease agreements together with the present value of minimum lease payments as of June 30:

QZAB – Series 2004

Fiscal Year Ending June 30	Total	Principal	Interest
2021	\$ 3,313,000	\$ 3,313,000	\$ –
Total	\$ 3,313,000	\$ 3,313,000	\$ –

QZAB – Series 2008A

Fiscal Year Ending June 30	Total	Principal	Interest
2010	\$ 320,892	\$ 312,000	\$ 8,892
2011	320,299	312,000	8,299
2012	319,706	312,000	7,706
2013	319,114	312,000	7,114
2014	318,521	312,000	6,521
2015-2019	1,583,712	1,560,000	23,712
2020-2024	1,568,892	1,560,000	8,892
Total	\$ 4,751,136	\$ 4,680,000	\$ 71,136

Leon County District School Board
Notes to Financial Statements

5. Certificates of Participation (continued)

QZAB – Series 2008B

Fiscal Year Ending June 30	Total	Principal	Interest
2010	\$ 1,374,000	\$ 1,000,000	\$ 374,000
2011	1,229,500	1,000,000	229,500
2012	1,212,500	1,000,000	212,500
2013	1,195,500	1,000,000	195,500
2014	1,178,500	1,000,000	178,500
2015-2019	5,637,500	5,000,000	637,500
2020-2024	5,212,500	5,000,000	212,500
Total	\$ 17,040,000	\$ 15,000,000	\$ 2,040,000

COPs Series 2005 – Refunding

Fiscal Year Ending June 30	Total	Principal	Interest
2010	\$ 2,385,988	\$ 1,425,000	\$ 960,988
2011	2,380,213	1,470,000	910,213
2012	2,382,938	1,525,000	857,938
2013	2,374,300	1,570,000	804,300
2014	2,376,763	1,635,000	741,763
2015-2019	11,854,763	9,165,000	2,689,763
2020-2024	9,444,706	8,720,000	724,706
Total	\$ 33,199,671	\$ 25,510,000	\$ 7,689,671

COPs Series 2006

Fiscal Year Ending June 30	Total	Principal	Interest
2010	\$ 4,161,349	\$ 1,510,000	\$ 2,651,349
2011	4,162,693	1,570,000	2,592,693
2012	4,570,674	2,050,000	2,520,674
2013	4,576,451	2,140,000	2,436,451
2014	4,567,514	2,215,000	2,352,514
2015-2019	22,797,999	12,505,000	10,292,999
2020-2024	25,056,403	18,025,000	7,031,403
2025-2027	20,608,713	19,240,000	1,368,713
Total	\$ 90,501,796	\$ 59,255,000	\$ 31,246,796

Leon County District School Board
Notes to Financial Statements

5. Certificates of Participation (continued)

COPs Series 2006			
<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
Total minimum lease payments	<u>\$ 148,805,603</u>	\$ 107,758,000	<u>\$ 41,047,603</u>
Add: unamortized premium		<u>959,321</u>	
Total certificates of participation		<u>\$ 108,717,321</u>	

6. Bonds Payable

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

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rate (Percent)</u>	<u>Annual Maturity to</u>
State school bonds:			
Series 1999A	\$ 330,000	4.10 – 6.00	2017
Series 2001A	1,185,000	4.00 – 5.50	2018
Series 2005A	5,180,000	4.00 – 4.75	2019
Series 2005B	735,000	4.10 – 5.25	2021
District revenue bonds:			
Series 1999 (refunding)	715,000	5.19	2014
General obligation bonds:			
Series 2003 (refunding)	3,565,000	3.00 – 5.00	2010
Sales tax revenue bonds:			
Series 2003	<u>28,035,000</u>	1.50 – 5.25	2013
Total bonds payable	39,745,000		
Add unamortized bond premium	<u>1,760,585</u>		
Grand total bonds payable	<u>\$ 41,505,585</u>		

The following is a description of 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 the bonds.

Leon County District School Board
Notes to Financial Statements

6. Bonds Payable (continued)

State School Bonds (continued)

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

Refunding Revenue Bonds, Series 1999 - These bonds are generally referred to as “Special Act Bonds” and are authorized by Chapter 71-746, Laws of Florida which provides that the bonds are secured from the pari-mutuel tax proceeds distributed annually to the District 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. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in those accounts.

Sales Tax Revenue Bonds, Series 2003.

These bonds are authorized by Section 212.55 (6), Florida Statutes. These Bonds are secured by a pledge of the proceeds from a one-half cent discretionary sales surtax levied as authorized by the voters of Leon County on November 5, 2002.

District General Obligation Bonds

General Obligation Bonds, Series 2000 (Refunding), and Series 2003 (Refunding), are authorized by Sections 132.33 through 132.47, Florida Statutes. Each of these bond series is secured by a pledge of property taxes levied pursuant to Chapter 1011, Florida Statutes.

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	\$ 1,142,469	\$ 775,000	\$ 367,469
2011	1,154,775	825,000	329,775
2012	1,154,369	865,000	289,369
2013	1,151,819	905,000	246,819
2014	1,157,056	955,000	202,056
2015-2019	3,243,181	2,885,000	358,181
2020-2021	236,750	220,000	16,750
Total state school bonds	<u>\$ 9,240,419</u>	<u>\$ 7,430,000</u>	<u>\$ 1,810,419</u>

Leon County District School Board
Notes to Financial Statements

6. Bonds Payable (continued)

Fiscal Year Ending June 30	Total	Principal	Interest
General obligation bonds			
2010	\$ 3,654,125	\$ 3,565,000	\$ 89,125
Total general obligation bonds	<u>\$ 3,654,125</u>	<u>\$ 3,565,000</u>	<u>\$ 89,125</u>
District revenue 1999 bonds (refunding)			
2010	\$ 163,735	\$ 130,000	\$ 33,735
2011	161,858	135,000	26,858
2012	159,722	140,000	19,722
2013	162,197	150,000	12,197
2014	164,152	160,000	4,152
Total	<u>\$ 811,664</u>	<u>\$ 715,000</u>	<u>\$ 96,664</u>
District sales tax revenue bonds, Series 2003			
2010	\$ 7,668,145	\$ 6,580,000	\$ 1,088,145
2011	7,620,801	6,820,000	800,801
2012	7,618,713	7,150,000	468,713
2013	7,636,481	7,485,000	151,481
Total revenue bonds	<u>\$ 30,544,140</u>	<u>\$ 28,035,000</u>	<u>\$ 2,509,140</u>

7. Defeased Debt

In prior years, the District defeased in substance various debt issues by placing a portion of the proceeds of the new COPs and bonds in an irrevocable trust to provide for all future debt service payments on the in-substance defeased COPs and bonds. Accordingly, the trust accounts' assets and the liability for the in-substance defeased COPs and bonds are not included in the District's financial statements. The details of the in-substance defeased debt as of June 30, 2009 are as follows:

Bond Issue	Defeased Amount
General obligation bonds, series 1989B	\$ 3,830,000
General obligation refunding bonds, series 1993	3,755,000
District revenue bonds, series 1985	780,000
COPS, series 1997	24,405,000
Total	<u>\$ 32,770,000</u>

Leon County District School Board
Notes to Financial Statements

8. Changes in Long-term Liabilities

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

<u>Description</u>	<u>Balance as of July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of June 30, 2009</u>	<u>Due in One Year</u>
Governmental activities					
Estimated insurance claims payable	\$ 7,206,177	\$ 1,435,952	\$ 996,037	\$ 7,646,092	\$ 1,744,085
Bonds payable	56,403,802	-	14,898,217	41,505,585	11,050,000
Certificates of participation payable	96,936,205	15,000,000	3,218,884	108,717,321	4,247,000
Compensated absences payable	32,413,257	11,477,293	19,500,762	24,389,788	3,200,000
Other post employee retirement benefits	4,467,904	4,453,530	-	8,921,434	-
Total	<u>\$197,427,345</u>	<u>\$32,366,775</u>	<u>\$38,613,900</u>	<u>\$ 191,180,220</u>	<u>\$ 20,241,085</u>

9. Interfund Receivables, Payables, and Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
General:		
General	\$ 785,146	\$ 36,479
Capital projects:		
Local capital improvement	93	464,857
Other	2,498,521	2,322,635
Nonmajor governmental	33,660	507,464
Enterprise	17,120	724
Internal service	-	2,381
Total	<u>\$ 3,334,540</u>	<u>\$ 3,334,540</u>

The principal purpose of the interfund balances are to meet current obligations where sufficient moneys were not available. All balances are expected to be repaid within one year.

Leon County District School Board
Notes to Financial Statements

9. Interfund Receivables, Payables, and Transfers (continued)

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

<u>Funds</u>	Interfund	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 4,233,650	\$ 57,535
Debt service – other	15,149,090	14,936,671
Capital projects:		
Local capital improvement		10,987,445
Other	14,936,671	8,215,879
Nonmajor governmental	257,535	379,416
Total	<u>\$ 34,576,946</u>	<u>\$ 34,576,946</u>

The principal purpose of the interfund transfers was related to the transfer of Capital Projects-Local Capital Improvement Fund maintenance money to the General Fund, the transfer of Capital projects-Local Capital Improvement Fund money and Capital projects – Other Fund money to the Debt Service Funds (Nonmajor Governmental Funds) for repayment of COPs and District Sales Tax Bonds, respectively, and the transfer of COP proceeds from the Debt Service-Other Fund, to Capital Projects-Other Fund, from which the proceeds will be spent.

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.

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.

Leon County District School Board
Notes to Financial Statements

11. Schedule of State Revenue Sources

<u>Sources</u>	<u>Amount</u>
Florida Education Finance Program	\$ 79,290,742
Categorical Educational Programs:	
Class size reduction	32,838,781
Transportation	5,212,024
Instructional materials	3,086,638
Excellent teacher program	1,212,053
Workforce development program	5,768,222
Florida Comprehensive Assessment Test:	
Development grant	1,515,270
Discretionary Lottery funds	787,844
Gross receipt tax (Public Education Capital Outlay)	3,539,141
Motor vehicle license tax (CO and debt service)	1,354,529
Racing commission funds	223,250
Food service supplement	157,955
Other state	4,741,619
Total	<u>\$ 139,728,068</u>

12. Property Tax

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	5.146	\$ 87,279,478
Basic discretionary local effort	0.498	8,446,401
Supplemental discretionary local effort	0.202	3,426,050
Debt Service Funds		
Voted tax:		
Special school district	0.224	3,799,184
Capital Project Funds		
Nonvoted tax:		
Local capital improvements	1.750	29,671,128
Total	<u>7.820</u>	<u>\$ 132,622,241</u>

Leon County District School Board
Notes to Financial Statements

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 enroll as members of the FRS. FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Benefits 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 four 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 the 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. Benefits in PEORP vest after one year of service. There were 286 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$ 814,907.

Leon County District School Board
Notes to Financial Statements

13. Florida Retirement System (continued)

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:

<u>Class or Plan</u>	<u>Percentage of Employee</u>	<u>Gross Salary Employer (A)</u>
Florida Retirement System, Regular		9.85
Florida Retirement System, County Elected Officers		16.53
Teachers' Retirement System, Plan E	6.25	11.35
State and County Officers' and Employees' Retirement System, Plan B	4.00	9.10
Deferred Retirement Option Program – Applicable to Members from all of the above classes of Plan		10.91
Florida Retirement System, Re-employed 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 the PEORP.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions (including employee contributions) for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009 totaled \$17,173,738, \$17,863,279, and \$17,122,418, 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 Service, Division of Retirement.

Leon County District School Board
Notes to Financial Statements

14. Special Termination Benefits

School Board policy provides for the payment of retirement incentive bonuses to qualifying employees equal to 10 percent of their annual salary, excluding supplements, at the date of termination of employment. In addition to payments for accrued leave used and regular termination benefits, the District reported expenditures totaling \$18,846 during the 2008-2009 fiscal year for retirement incentive bonuses.

15. Post Employment Healthcare Benefits

Plan Description The Postemployment Health Care 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 purchased health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees enroll in the federal Medicare program for their primary coverage as soon as they are eligible. The Plan does not issue a standalone report and is not included in the report of a Public Employee Retirement System or other entity.

Funding Policy For the Plan, contribution requirements of the District are established and may be amended through action from the School Board. The District has not advance funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation. For the 2008-09 fiscal year, 596 retirees received post employment healthcare benefits. The District's contribution to the OPEB obligation is the implicit subsidy for the retirees, which was \$2,567,058. This amount was comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, reinsurance premiums, and net of retiree contributions totaling \$2,484,443.

Leon County District School Board
Notes to Financial Statements

15. Post Employment Healthcare Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation The District's annual OPEB cost (expense) is calculated based on the annual required contribution, an amount actuarially determined in accordance with accounting standards. 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 postemployment healthcare benefits:

<u>Description</u>	<u>Amount</u>
Normal cost (service cost for one year)	\$ 2,401,126
Amortization of unfunded actuarial accrued liability	4,195,475
Interest on normal cost and amortization	468,666
Annual required contribution	7,065,267
Interest on net OPEB obligation	178,716
Adjustment to annual required contribution	(223,395)
Annual OPEB cost (expense)	7,020,588
Contribution toward the OPEB cost	(2,567,058)
Increase in net OPEB obligation	4,453,530
Net OPEB obligation, beginning of year	4,467,904
Net OPEB obligation, end of year	<u>\$ 8,921,434</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the next OPEB obligation as of June 30, 2009 was as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Amount</u> <u>Contributed</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2008	\$ 6,793,525	\$ 2,325,621	34.23%	\$ 4,467,904
June 30, 2009	\$ 7,020,588	\$ 2,567,058	36.56%	\$ 4,453,530

Funded Status and Funding Progress As of October 1, 2007, the initial actuarial valuation date, the actuarial accrued liability for benefits was \$82,280,036, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$82,280,036, and a funded ratio of zero percent. The covered payroll (annual payroll of active participating employees) was \$124,632,777 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 66.02 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment and termination, mortality, and the 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.

Leon County District School Board
Notes to Financial Statements

15. Post Employment Healthcare Benefits (continued)

Actuarial Methods and Assumptions Projection 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 October 1, 2007, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and the District's 2008-09 fiscal year annual required contribution. This method was selected to produce the lowest OPEB liability and annual cost, and to spread the costs evenly as a percent of pay throughout the collective careers of those in the covered workforce.

Because the OPEB liability is currently unfunded, the actuarial assumptions included a four percent per year, and an annual healthcare cost trend rate of 10 percent for the 2008-09 fiscal year, then reduced by .05 percent per year, to an ultimate rate of five percent after 10 years. The unfunded actuarial remaining amortization period at June 30, 2009, was 19 years.

16. Construction Project Commitments

The following is a summary of major capital outlay project commitments remaining at fiscal year-end:

<u>Project</u>	<u>Commitment</u>	<u>Expenditures</u>	<u>Balance</u>
New construction			
Astoria Park			
Contractor	\$ 928,326	\$ 352,027	\$ 576,299
Montford Middle School			
Contractor	5,015,483	3,712,210	1,303,273
Architect	241,602	226,875	14,727
Engineer	67,522	53,445	14,077
Conley Elementary School			
Contractor	20,252,095	20,251,895	200
Architect	1,028,885	1,012,838	16,047
Transportation			
Contractor	1,143,285	-	1,143,285
Architect	70,359	44,277	26,082
Engineer	151,140	32,078	119,062
Total new construction	<u>\$ 28,898,697</u>	<u>\$ 25,685,645</u>	<u>\$ 3,213,052</u>

Leon County District School Board
Notes to Financial Statements

16. Construction Project Commitments (continued)

<u>Project</u>	<u>Commitment</u>	<u>Expenditures</u>	<u>Balance</u>
Renovations			
Cobb Middle School			
Contractor	\$ 1,098,514	\$ 981,256	\$ 117,258
Architect	537,021	532,168	4,853
Engineer	3,801	2,595	1,206
Rickards			
Contractor	469,495	265,803	203,692
Architect	10,622	-	10,622
Riley Elementary			
Contractor	5,282,135	3,943,658	1,338,477
Architect	619,713	483,452	136,261
Engineer	29,095	14,982	14,113
Nims Middle School			
Contractor	2,392,763	681,060	1,711,703
Architect	120,200	61,831	58,369
Engineer	29,721	23,776	5,945
Apalachee Elementary			
Contractor	1,921,502	1,883,513	37,989
Architect	1,339,921	968,614	371,307
Lincoln			
Contractor	4,658,138	2,574,168	2,083,970
Architect	968,550	908,955	59,595
Total renovations	<u>\$ 19,481,191</u>	<u>\$ 13,325,831</u>	<u>\$ 6,155,360</u>
Remodeling			
Pineview			
Contractor	\$ 1,275,490	\$ 460,444	\$ 815,046
Astoria Park Elementary			
Contractor	931,558	230,720	700,838
Engineer	147,430	135,850	11,580
Deerlake			
Contractor	2,790,033	2,277,675	512,358
Total remodeling	<u>\$ 5,144,511</u>	<u>\$ 3,104,689</u>	<u>\$ 2,039,822</u>

Leon County District School Board
Notes to Financial Statements

16. Construction Project Commitments (continued)

<u>Project</u>	<u>Commitment</u>	<u>Expenditures</u>	<u>Balance</u>
HVAC			
Pineview			
Contractor	\$ 584,856	\$ 179,713	\$ 405,143
Springwood			
Contractor	711,409	94,667	616,742
Engineer	167,460	91,786	75,674
Everhart			
Contractor	721,708	297,592	424,116
Engineer	42,871	31,826	11,045
Total HVAC	<u>2,228,304</u>	<u>695,584</u>	<u>1,532,720</u>
Grand total	<u>\$ 55,752,703</u>	<u>\$ 42,811,749</u>	<u>\$ 12,940,954</u>

17. 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. Property protection, workers' compensation, automobile liability, and general liability coverage are being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage when total claims, minus specific excess coverage, exceed the loss fund established annually by the School Board. The School Board has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

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

A liability in the amount of \$7,646,092 was actuarially determined to cover estimated incurred but not reported insurance claims payable at June 30, 2009.

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

	<u>Beginning of Fiscal Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2007 – 2008	\$ 7,507,052	\$ 1,177,512	\$ (1,478,387)	\$ 7,206,177
2008 – 2009	\$ 7,206,177	\$ 1,435,952	\$ (996,037)	\$ 7,646,092

Leon County District School Board
Notes to Financial Statements

17. Risk Management Programs (continued)

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

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

18. Consortiums

The District is a member of the North Florida Instructional Television Consortium, which provides for the promotion and development of instructional television services for the members. The Consortium offices are located in Leon County, and the Leon County District School Board is the fiscal agent.

19. Contingent Liabilities

The District is one of several entities that contracted with a company to dispose of used automotive oil at a disposal site. The United States Environmental Protection Agency (USEPA) and the Florida Department of Environmental Protection (FDEP) found this site to be contaminated. All entities who contracted with the company will share in paying for the cost of site cleaning. The District settled with USEPA in fiscal year 2006 for \$135,206. A settlement has not been reached with FDEP and the amount is not known at this time.

Other Required Supplementary Information

Leon County District School Board
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
General Fund
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Federal Direct	\$ 215,000	\$ 224,010	\$ 224,010	\$ -
Federal Through State	230,000	1,171,451	1,171,451	-
State Sources	138,425,934	134,451,673	134,451,673	-
Local Sources:				
Property Taxes Levied for Operational Purposes	94,657,619	94,458,350	94,458,350	-
Other Local Revenue	7,339,976	10,186,391	10,265,057	78,666
Total Local Sources	<u>101,997,595</u>	<u>104,644,741</u>	<u>104,723,407</u>	<u>78,666</u>
Total Revenues	<u>240,868,529</u>	<u>240,491,875</u>	<u>240,570,541</u>	<u>78,666</u>
EXPENDITURES				
Current:				
Instruction	160,490,443	156,149,775	144,834,491	11,315,284
Pupil Personnel Services	7,080,632	10,957,179	10,612,729	344,450
Instructional Media Services	4,139,465	4,524,762	4,450,940	73,822
Instruction and Curriculum Development Services	5,781,958	11,234,543	10,068,357	1,166,186
Instructional Staff Training Services	715,387	868,568	391,503	477,065
Instruction Related Technology	1,667,197	2,059,591	2,002,050	57,541
School Board	1,110,699	1,198,834	807,097	391,737
General Administration	2,575,911	2,547,156	1,876,039	671,117
School Administration	19,541,564	17,042,233	16,347,529	694,704
Facilities Acquisition and Construction	2,328,372	2,738,246	1,156,350	1,581,896
Fiscal Services	1,961,474	2,089,625	2,049,087	40,538
Food Services	-	-	-	-
Central Services	8,149,303	7,611,715	5,559,868	2,051,847
Pupil Transportation	11,582,264	11,419,512	10,613,320	806,192
Operation of Plant	22,983,271	23,533,536	20,776,205	2,757,331
Maintenance of Plant	8,285,448	8,667,137	8,077,543	589,594
Administrative Technology Services	4,394,438	4,845,974	4,301,630	544,344
Community Services	5,196,869	5,207,131	4,435,084	772,047
Capital Outlay:				
Facilities Acquisition and Construction	24,393	198,047	210,345	(12,298)
Other Capital Outlay	788,509	846,675	885,063	(38,388)
Total Expenditures	<u>268,797,597</u>	<u>273,740,239</u>	<u>249,455,230</u>	<u>24,285,009</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(27,929,068)	(33,248,364)	(8,884,689)	24,363,675
Other Financing Sources (Uses)				
Proceeds from the Sale of Capital Assets	-	80,000	80,000	-
Transfers In	-	4,233,650	4,233,650	-
Transfers Out	-	(57,535)	(57,535)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>4,256,115</u>	<u>4,256,115</u>	<u>-</u>
Net Change in Fund Balances	(27,929,068)	(28,992,249)	(4,628,574)	24,363,675
Fund Balances, July 1, 2008	30,859,282	30,780,617	30,780,617	-
Adjustment to Fund Balances	-	-	-	-
Fund Balances, June 30, 2009	<u>\$ 2,930,214</u>	<u>\$ 1,788,368</u>	<u>\$ 26,152,043</u>	<u>\$ 24,363,675</u>

See independent auditors' report.

Federal Reports and Schedules

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*

Superintendent of Schools
Leon County District School Board Members

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely-presented component units, each major fund and the aggregate remaining fund information of the Leon County District School Board (District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 9, 2009. 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 aggregate discretely-presented component units, as described in our report on the Leon County District 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. The financial statements of the Leon County Schools' Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

We noted certain matters that we reported to management of the Leon County District School Board in a separate letter dated December 9, 2009.

This report is intended solely for the information and use of the Leon County District School Board, Superintendent of Schools, Audit Committee, the Auditor General, State of Florida, management, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Thomas Howell Ferguson P.A. Law, Redd, Crona & Munroe, P.A.

December 9, 2009

Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133

Superintendent of Schools
Leon County District School Board Members

Compliance

We have audited the compliance of Leon County District School Board (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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 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 an entity'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 entity'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 entity'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 an entity'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.

This report is intended solely for the information and use of the Leon County District School Board, Superintendent of Schools, Audit Committee, the Auditor General, State of Florida, management, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Thomas Howell Ferguson P.A. Law, Redd, Crona & Munroe, P.A.

December 9, 2009

District School Board of Leon County

Schedule of Expenditures of Federal Awards

For the Fiscal Year ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor Number	Amount of Expenditures
<u>Corporation for National and Community Service</u>			
Pass-through Florida Commission on Community Service: AmeriCorp	94.006	n/a	\$ 224,987
<u>United States Department of Agriculture</u>			
Child Nutrition Cluster			
Pass-through Florida Department of Agriculture and Consumer Services Food Donation	10.555	n/a	672,156
Pass-through Florida Department of Education:			
School Breakfast Program	10.553	321	1,236,858
National School Lunch Program	10.555	300	4,531,145
Summer Food Service Program for Children	10.559	323	162,071
Total Child Nutrition Cluster			6,602,230
Pass-through Florida Department of Financial Services:			
Schools and Roads-Grants to States	10.665	n/a	25,432
Total United States Department of Agriculture			6,627,662
<u>United States Department of Defense</u>			
Direct Programs:			
Air Force Junior Reserve Officer Training Corps	None	n/a	62,722
Army Junior Reserve Officer Training Corps	None	n/a	55,941
Navy Junior Reserve Officer Training Corps	None	n/a	52,408
Marine Corps Junior Reserve Officer Training Corps	None	n/a	44,969
Total United States Department of Defense			216,040
<u>United States Department of Education</u>			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	n/a	25,224
Federal Pell Grant Program	84.063	n/a	1,053,556
Total Student Financial Assistance Cluster			1,078,780
Fund for the Improvement of Education	84.215	n/a	185,696
Total Direct Programs			1,264,476
Indirect Programs:			
Pass-through Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	262, 263	8,933,919
Special Education - Preschool Grants	84.173	266, 267	495,600
Total Special Education Cluster			9,429,519
Adult Education Act - Basic Grants to States	84.002	192	280,863
Title I Grants to Local Educational Agencies	84.010	212, 226, 223	7,254,577
Career and Technical Education- Basic Grants to States	84.048	151	664,271
Safe and Drug Free Schools and Communities - State Grants	84.186	103	113,229
Homeless Education for Children and Youth	84.196	127	63,972
Charter Schools	84.282	298	416,006
21st Century Community Learning Centers	84.287	244	2,333,382
Education Technology State Grants	84.318	121	55,065
English Language Acquisition Grants	84.365	102	52,650
Even Start State Educational Agencies	84.213C	219	188,508
State Grants for Innovative Programs	84.298A	113	73,212

(continued)

District School Board of Leon County

Schedule of Expenditures of Federal Awards (continued)

For the Fiscal Year ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor Number	Amount of Expenditures
Reading First State Grants	84.357A	211	286,539
Improving Teacher Quality State Grants	84.367A	224	2,002,746
Learn and Serve America- School and Community Based Programs	94.004	234	32,057
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	n/a	61,390
Pass-through Tallahassee Community College			
Career and Technical Education- Basic Grants to States	84.048A	n/a	22,837
Pass-through University of California			
Pass-through Florida State University			
National Writing Project	84.928A	n/a	299
Total Indirect Programs			<u>23,331,122</u>
Total United States Department of Education			<u>24,595,598</u>
<u>United States Department of Health and Human Services</u>			
Pass-through Florida State University:			
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	n/a	<u>30,434</u>
Pass-through the Leon/Gadsden School Readiness Coalition:			
Temporary Assistance for Needy Families	93.558	n/a	<u>70,279</u>
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	n/a	170,475
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	n/a	<u>113,295</u>
Total Child Care and Development Fund Cluster			<u>283,770</u>
Total United States Department of Health and Human Services			<u>384,483</u>
<u>United States Department of Homeland Security</u>			
Pass-through Florida Department of Education			
Homeland Security Grant Program	97.067	532	<u>126,260</u>
<u>United States Department of Justice</u>			
Pass-through Florida Department of Juvenile Justice			
Gang Prevention	16.544	n/a	<u>6,488</u>
<u>United States Department of Transportation/Highway Administration:</u>			
Pass-through Florida Department of Transportation			
Highway Planning and Construction - Safe Routes to Schools	20.205	n/a	<u>1,020</u>
Total Expenditures of Federal Awards			<u><u>\$ 32,182,538</u></u>

Notes:

- (1) The Schedule of Expenditures of Federal Awards was prepared on the modified accrual basis of accounting.
- (2) Food Donation - Expenditures represents the amount of donated food used during the 2008-09 fiscal year. Commodities are valued at fair value as determined at the time of donation.
- (3) Of the federal expenditures presented in the schedule, Leon County District School Board provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Title I Grants to Local Educational Agencies	84.010	\$ 125,181
Special Education - Grants to States	84.027	49,919
Career and Technical Education- Basic Grants to States	84.048	65,702
Special Education - Preschool Grants	84.173	84,878
Charter Schools	84.282	453,423
21st Century Community Learning Centers	84.287	32,757
		<u><u>\$ 811,860</u></u>

See the independent auditors' report on the financial statements.

District School Board of Leon County

Schedule of Findings and Questioned Costs

For the Fiscal Year ended June 30, 2009

Section I -- Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified not considered to be material weaknesses? None

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified not considered to be material weaknesses? None

Type of auditors' report issued on compliance for major programs? Unqualified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Programs</u>
	United States Department of Agriculture
	Child Nutrition Cluster:
	Pass through Florida Department of Agriculture
10.555	Food Donation
	Pass through Florida Department of Education
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
	United States Department of Education
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.063	Federal Pell Grant Program
	Pass through Florida Department of Education
84.367A	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$965,476

Auditee qualified as low-risk auditee? Yes

Section II -- Financial Statement Findings

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Section III -- Federal Award Findings and Questioned Costs

We noted no matters involving noncompliance that are required to be reported in accordance with *U.S. Office of Management and Budget Circular A-133*.

See the independent auditors' report on the financial statements.

Leon County District School Board

Summary Schedule of Prior Year Audit Findings

For the Year ended June 30, 2009

Prior Year's Finding and Recommendations

The current year status of the prior year's recommendations is presented below:

Finding 08-1: Semi-annual Certifications/ Personnel Activity Reports and Contract Personnel Monitoring

The United States Office of Management and Budget (OMB) *Circular A-87*, Attachment A, Section C.1, provides, in part, that costs must be adequately documented to be allowable under Federal awards. OMB *Circular A-87* further provides that charges to Federal awards for salaries and wages be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official of the unit. Where employees are expected to work on multiple cost activities or cost objectives, a distribution of their salaries or wages will be supported by monthly personnel activity reports or equivalent documentation. These reports must reflect an after-the-fact distribution of the actual activity of each employee and must be signed by the employee. Where employees are expected to work solely on a single Federal award or cost objective, charges for salaries and wages are to be supported by periodic certifications, prepared at least semiannually, that the employees worked solely on that program for the period of certification.

For the 2007-08 fiscal year, the District reported Special Education – Grants to States program expenditures totaling approximately \$8.9 million, for salaries and benefits, purchased services, and other costs. Of 20 employees tested, due to oversight semi-annual certifications/ personnel activity reports were not prepared for 2 employees. In October 2008, subsequent to audit request, the employees prepared the required certifications and personnel activity reports to support the salary charges to the program.

FY 09 Status: Corrective action has been implemented.

Additionally, The District also had program expenditures, totaling approximately \$734,000, for behavioral assessments and consultations, and community-based work experience services. While the District maintained invoices, detailing the contracted personnel names and hours of service provided at the schools, District personnel did not timely reconcile these invoices to sign-in/sign-out sheets or similar documentation maintained by the schools to verify the accuracy of the invoices before payments were made. Subsequent to auditor inquiry in December 2008, the District provided documentation which demonstrated the allowability of the Federal expenditures.

FY 09 Status: During the current year, the District performed reconciliations between the invoices and the school sign in/sign out sheets. Corrective action has been implemented.

Other Reports

Management Letter

Superintendent of Schools
Leon County District School Board Members

We have audited the basic financial statements of the Leon County District School Board (District) as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated December 9, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditors' Report on Compliance and Internal Control over financial reporting, Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to each Major Federal Program, and Schedule of Findings and Questioned Costs. Disclosures in those reports, which are dated December 9, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.800, *Rules of the Auditor General*, which govern the conduct of district school board audits performed in the state of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

Section 10.804(1)(f)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report affecting the financial statements, and have been corrected except as noted below under the heading Prior Year Comments and Recommendations.

Section 10.804(1)(f)5., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations. The recommendations made are noted below under the heading Current Year Comments and Recommendations.

Prior Year Comments and Recommendations

08-1 Internal Accounts- Segregation of Duties

We noted that there is a lack of segregation of duties at the individual schools. The accountants' role at most schools included recording transactions in the accounting software, maintaining custody of cash received, making deposits, signing checks, purchasing, receiving bank statements, and reconciling bank accounts. We recommended that the District and individual schools revise their policies and procedures to segregate some of the key functions including, but not limited to, the following:

1. The school accountant should not be an authorized check signer because they have access to the accounting software and blank checks, and they perform the bank reconciliations.
2. The District should perform unannounced random testing of the schools' cash receipts and cash disbursements to make certain that supporting receipts agree to validated deposit slips, that all cash received is deposited within the timeframe set by the District, and that all cash disbursements contain the necessary supporting documentation.
3. The bank statements should be forwarded unopened to the principal or assistant principal and reviewed for unauthorized transactions and unusual items prior to the accountant performing the bank reconciliation.

Correction action has been implemented on numbers 2 and 3 above. During the current year audit, we noted at the majority of the schools, the bookkeepers were still authorized check signers on the bank accounts (see Current Year Comments and Recommendations).

08-2 Internal Accounts- Frequency of Deposits

We noted that the timing of deposits made by the schools was inconsistent with the internal accounts manual. The internal accounts manual states "deposits should be made daily. If however, the cash on hand is not of an amount to warrant deposit, it should be placed in the school safe".

We recommended that cash be deposited within three days of receipt in order to comply with the internal accounts manual. A deposit should be made on the last day of the week so that cash is not kept in the schools over the weekend and a deposit should be made on the last day of the month to facilitate the closing of that month's books.

During current year testing, we continued to note instances of deposits occurring more than three days after receipt of the funds (see Current Year Comments and Recommendations).

08-3 Cash Collections – Extended Day Enrichment Program

The District operated a fee-supported, school-age child care program that provided before and after school care at 20 elementary schools. The District recorded fee collections, totaling approximately \$4.5 million, for Extended Day Enrichment Program (EDEP) during the 2007-08 fiscal year. The Auditor General's review of internal controls over EDEP fee collections at Buck Lake Elementary, W. T. Moore Elementary, Gretchen Everhart, Apalachee Elementary, Sabal Palm Elementary, and Ft. Braden Schools disclosed deficiencies.

The Auditor General recommended and we continue to recommend that the District enhance its procedures over EDEP fee collections to ensure adequate segregation of duties for collecting, recording, and depositing functions; evidence of responsibility for transfers is maintained; fee collections are properly recorded and subsequently deposited; and fee audits are performed by someone independent of the fee collection process.

Current Year Comments and Recommendations

09-1 Internal Accounts- Segregation of Duties

We noted that at the majority of the schools, the school accountant is an authorized signer on the bank account. Due to the accountant's role at the school which generally includes recording transactions in the accounting software, maintaining custody of cash received, making deposits, signing checks, purchasing, receiving bank statements, and reconciling bank accounts, to help further segregate duties, we continue to recommend that the District and individual schools revise their policies and procedures so that the school accountant is not an authorized check signer of the bank account.

Management Response: Leon County School Board Policy has been changed to remove the bookkeeper as an authorized signer.

09-2 Internal Accounts- Frequency of Deposits

We noted that the timing of deposits made by the schools was inconsistent with the internal accounts manual. The internal accounts manual states "deposits should be made daily. If however, the cash on hand is not of an amount to warrant deposit, it should be placed in the school safe. At a minimum, it is recommended that cash receipts be deposited within three days of receipt".

We continue to recommend that cash be deposited within three days of receipt in order to comply with the internal accounts manual. A deposit should be made on the last day of the week so that cash is not kept in the schools over the weekend and a deposit should be made on the last day of the month to facilitate the closing of that month's books.

Management Response: The frequency of deposits is discussed at each bookkeeper meeting and the bookkeepers will be reminded at the next meeting.

09-3 Internal Accounts- Kate Sullivan Elementary School

Our tests of cash disbursements identified the following conditions:

1. Five of the 23 disbursements tested did not include proper supporting documentation.
2. One cash receipt was recorded to the incorrect account in the general ledger.

We recommend that the school maintain documentation to support the purchases and related disbursements made and that all documentation evidencing disbursements be retained and filed in a manner that makes it easily accessible. Such documentation is required by the internal accounts manual. The check signers should review supporting documentation prior to signing checks to make certain that all disbursements are for authorized and allowable purchases. In addition, the accountant should carefully review deposits posted to the general ledger to ensure they have been coded to the correct account.

Management Response: The principal and/or assistant principal will review transactions for proper supporting documentation prior to signing checks. The principal will also conduct periodic reviews of the general ledger to check for errors.

09-4 Internal Accounts- Woodville Elementary School

Our tests of cash disbursements identified 22 out of 23 disbursements that did not have two signatures on the check requisition form. We recommend the all disbursements evidence approval by two signatures on the check requisition form.

Management Response: The bookkeeper and principal will review the check requisition form to check for accuracy and completeness, including signature of check requestor, prior to issuing checks.

09-5 Internal Accounts- Swift Creek Middle School

Our tests of cash disbursements identified that three of the 23 disbursements tested did not include proper supporting documentation. We recommend that the school maintain documentation to support the purchases and related disbursements made and that all documentation evidencing disbursements be retained and filed in a manner that makes it easily accessible. Such documentation is required by the internal accounts manual. The check signers should review supporting documentation prior to signing checks to make certain that all disbursements are for authorized and allowable purchases.

Management Response: The principal and accountant will review all transactions for adequate supporting documentation prior to signing checks.

09-6 Internal Accounts- Ft. Braden School

Through testing of cash disbursements and inquiry of school personnel, we noted only two individuals with check signing authority on the bank account. The internal accounts manual requires three authorized check signers. We recommend the Principal designate an additional check signer, preferably the Assistant Principal.

Management Response: Ft. Braden School staff is currently in the process of removing the Financial Accountant and adding the Assistant Principal and Lead Administrative Assistant as authorized check signers.

09-7 Internal Accounts- Buck Lake Elementary

Our tests of cash disbursements identified that four of the 23 disbursements tested did not include proper supporting documentation. We recommend that the school maintain documentation to support the purchases and related disbursements made and that all documentation evidencing disbursements be retained and filed in a manner that makes it easily accessible. Such documentation is required by the internal accounts manual. The check signers should review supporting documentation prior to signing checks to make certain that all disbursements are for authorized and allowable purchases.

Management Response: The principal and accountant will review all transactions for adequate supporting documentation prior to signing checks.

09-8 Internal Accounts- Ruediger Elementary School

Our tests of cash receipts and disbursements identified the following conditions:

1. Three of the 23 receipts tested were recorded to the incorrect account on the general ledger.
2. One of the 23 receipts tested could not be located.
3. One of the 23 disbursements tested did not have the principal's signature on the check.
4. Five of the 23 disbursements tested did not have proper supporting documentation.
5. One of the 23 disbursements tested was recorded in the incorrect account on the general ledger.

We recommend that the school maintain documentation to support the purchases and related disbursements made and that all documentation evidencing disbursements be approved by the Principal and retained and filed in a manner that makes it easily accessible. The check signers should review supporting documentation prior to signing checks to make certain that all disbursements are for authorized and allowable purchases. All checks should be signed by two authorized check signers. In addition, supporting documentation for cash receipts should be maintained with the validated deposit slip to verify that all cash received was deposited. The accountant should carefully review receipts and disbursements posted to the general ledger to ensure they have been coded to the correct account. Such documentation above is required by the internal accounts manual.

Management Response: Ruediger Elementary School has hired a new accountant. The accountant has received training from District staff regarding proper posting of internal accounts transactions. The principal reviews all transactions prior to processing to ensure adequate and complete supporting documentation. All checks are reviewed and signed by two of the school's authorized check signers as required by policy.

09-9 Internal Accounts- Sabal Palm Elementary School

Our tests identified the following conditions:

1. One of the 23 disbursements tested did not contain the approval of the principal.
2. One of the 23 disbursements tested contained a check with only one signature.
3. One of the 23 disbursements tested did not have proper supporting documentation.
4. We noted two outstanding checks on the bank reconciliation that were greater than five years old.

We recommend that the school maintain documentation to support the purchases and related disbursements made and that all documentation evidencing disbursements be approved by the Principal and retained and filed in a manner that makes it easily accessible. The check signers should review supporting documentation prior to signing checks to make certain that all disbursements are for authorized and allowable purchases. All checks should be signed by two authorized check signers. Such documentation above is required by the internal accounts manual. District policy requires schools to investigate stale dated checks and any checks outstanding for greater than five years should be removed from the bank reconciliation and remitted to the Florida Department of Financial Services, Bureau of Unclaimed Property in accordance with Section 717.102, *Florida Statutes*.

Management Response: All future disbursements will be reviewed to ensure that principal approval has been obtained, two authorized signers have signed the check, and all necessary supporting documentation is included with each transaction.

09-10 Internal Accounts- Godby High School

Our tests of cash disbursements identified the following conditions:

1. One of the 23 disbursements tested did not contain the approval of the principal.
2. On one of the 23 disbursements tested the payment amount per the check did not agree to the supporting documentation.

We recommended that all disbursements evidence the Principal's approval by his/her signature being on both the check requisitions and checks. Such procedures are required by the internal accounts manual. The check signers should review supporting documentation prior to signing checks to make certain that all disbursements are properly supported and are for authorized and allowable purchases.

Management Response: The principal and bookkeeper will review all transactions to ensure that all required approvals and supporting documentation is available prior to disbursing internal funds.

09-11 Internal Accounts- Nims Middle School

While testing cash receipts, we noted two receipts whose bank deposit date was prior to the receipt date in the general ledger. We recommend the accountant record the receipt in the general ledger as soon as it is received. The receipt and supporting documentation should be reconciled and attached to the validated deposit slip and filed in a manner that makes it easily accessible as required by the internal accounts manual.

Management Response: Nims Middle School has hired a new accountant. The accountant will promptly record all receipts in the general ledger and ensure that adequate supporting documentation is available and attached to the validated deposit slip. Further measures that have been taken include reorganizing the accountant's office files and scheduling weekly meetings with District staff to ensure that all procedures are being implemented properly. Finally, the accountant and the principal meet weekly to discuss procedures and follow up on these areas.

09-12 Policies and Procedures- Student Financial Assistance Programs

While performing testing of the Student Financial Assistance Programs (Federal Pell Grant Program and Federal Supplemental Educational Opportunity Grants) we noted the written policies and procedures governing the receipts, disbursements and monitoring of the grant funds were out dated. In addition, due to the small staff size, there does not appear to be oversight over the student origination and verification eligibility process.

We recommend the District update the policies and procedures to insure consistent application and compliance with federal requirements. We also recommend financial aid staff perform the student origination and verification process and the Financial Aid Director review and approve the determination prior to authorizing the disbursement of funds.

Management Response: Lively Technical Center's Financial Aid Office is currently in the process of updating their written financial aid policies and procedures. The Office has also been researching new software systems to assist the financial aid staff in working smarter. Also, the office is looking to hire additional personnel to provide oversight of the student origination and verification eligibility process.

09-13 Vending Machines

Florida Administrative Code, State Board of Education Rule 6-7.0411(2)(c) states a school board may allow the sale of carbonated beverages to students in high schools by a school activity or organization authorized by the principal at all times if a beverage of one hundred percent fruit juice is sold at each location where carbonated beverages are sold. While performing testing at Leon High School, we noted a vending machine accessible to students which contained carbonated beverages, but did not contain one hundred percent fruit juice. We recommend the District monitor vending machine use to ensure compliance with federal guidelines and state regulations.

Management Response: The site administrator at each school will monitor vending machines to ensure compliance with federal guidelines and state regulations.

09-14 Terminated Employees

While performing testing related to terminated employees, we noted the following:

1. Twelve terminated employees had purchasing cards which were still active subsequent to their termination date.
2. Twenty-nine terminated employees had access to at least one screen in the Financial Accounting, Human Resource Management or Cost Accounting Series in Total Education Resource Management System subsequent to their termination date.

We recommend the District implement procedures to ensure that terminated employees' property and access rights are revoked immediately upon termination.

Management Response: The Purchasing Card Administrator will cross reference the personnel actions on each Board Agenda, specifically the terminations, to ensure that any terminated employees who have been issued purchasing cards have the cards cancelled immediately.

With regard to corrective action relating to ensuring that TERMS authorizations and access are terminated or adjusted as appropriate to position changes:

- The employee exit checklist reflects district procedure/policy that the respective supervisor or program administrator is responsible for communicating to their site or department tech specialist and the District's security office when a person has been terminated or assigned to a new position. The site or department tech specialist can then deactivate network access (which precludes access to any network-based resource, including TERMS); and the District's enterprise security office deactivates TERMS access upon notification.

- The access and authorization change notification is part of the school district's Employee Exit/Termination checklist, which should also be signed by the department or school site administrator upon completion for the person terminated or moved from the position.
- Two additional sources are also used to confirm authorization changes: a listing of position changes from TERMS; and the School Board listing of approved position terminations.

As a further step, review of inactive network authorizations is made at least annually and all inactive accounts – whether the person has changed position on roll or not – are deactivated.

09-15 Purchasing Cards

Six of the initial 23 purchase card holders and two of the 10 additional card holders selected for testing over controls of the purchase card system had exceptions. Each exception noted was different between each card holder. The three exceptions noted were; 1) no general ledger coding or narrative description of the project to be charged was present on either the receipt or the cover sheet, 2) a receipt was missing for one of the purchases that were included on the card statement, 3) no cardholder signature on the monthly statement. We recommend the District develop additional control procedures to ensure compliance with established policies and procedures over purchase cards. Specifically, we recommend that the District personnel responsible for reviewing and approving the purchasing card transactions ensure that approval policies and procedures are followed. Adherence to approval policies and procedures will help minimize the likelihood of errors occurring.

Management Response: Accounts payable specialists will be reminded to:

- verify that coding is provided by each site for purchases made on the purchasing cards;
- ensure that monthly statements include the card holder's signature; and
- ensure that all required receipts and/or other appropriate written documentation are included for each transaction.

Finance staff will monitor this process more closely.

Section 10.804(1)(f)3., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, *Florida Statutes*, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, *Florida Statutes*.

Section 10.804(1)(f)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.804(1)(f)6., *Rules of the Auditor General*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statement considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.804(1)(f)2., *Rules of the Auditor General*, requires a statement be included as to whether or not the district school board has met one or more of the conditions described in Section 218.503(1), *Florida Statutes*, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Pursuant to Sections 10.804(1)(f)7.a. and 10.805(6), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, *Florida Statutes*, this management letter 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 letter is intended solely for the information and use of the Leon County District School Board, Superintendent of Schools, Audit Committee, the Auditor General, State of Florida, management, federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties for any purpose.

Thomas Howell Ferguson P.A. Law, Redd, Crona & Munroe, P.A.

December 9, 2009