

Financial Statements  
and Other Financial Information

Leon County District School Board  
Tallahassee, Florida

*Year ended June 30, 2010  
with Independent Auditors' Report*

## TABLE OF CONTENTS

	<b>Page Number</b>
<b>Financial Section</b>	
Independent Auditors' Report on Financial Statements	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Statement of Net Assets	14
Statement of Activities	16
Balance Sheet – Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities	22
Statement of Net Assets – Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	24
Statement of Cash Flows – Proprietary Funds	25
Statement of Fiduciary Net Assets – Fiduciary Funds	26
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	27
Notes to Financial Statements	28
<b>Other Required Supplementary Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund	57
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – ARRA Economic Stimulus	58

## TABLE OF CONTENTS (Continued)

### Federal Reports and Schedules

Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	61
Schedule of Expenditures of Federal Awards	63
Schedule of Findings and Questioned Costs	65
Summary Schedule of Prior Year Audit Findings	66

### Other Reports

Management Letter	67
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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, 2010, 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 an opinion 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, 2010, 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 17, 2010, 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, grants agreements, 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 on pages 3 through 13 and Analysis and the Budgetary Comparison Schedule on page 57 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion 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, Brown & Munroe, P.A.

December 17, 2010

# **LEON COUNTY DISTRICT SCHOOL BOARD**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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As Management of the Leon County District 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, 2010.

### **FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$ 233.3 million.
- Total revenues (Statement of Revenues, Expenditures, and Changes in Fund Balances) of \$328.1 million were comprised of general revenues in the amount of \$309.4 million, or 94 percent, and program specific revenues from charges for services and grants, and contributions in the amount of \$18.7 million or 6 percent.
- For the year ended June 30, 2010, the District had \$330.9 million in expenses related to governmental activities; \$18.7 million of which were offset by program specific charges or services, grants, and other sources. General revenues (primarily taxes and State funding programs) of \$309.4 million were not sufficient to provide for the District's programs resulting in a decrease in net assets of \$2.8 million.
- As of the close of the fiscal year, the District's governmental funds report combined ending fund balances of \$79 million, a decrease of \$8.8 million in comparison with the prior year. Approximately 71 percent of this total amount, \$45.3 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 \$6.3 million on the Statement of Net Assets represents the excess of current and long-term future financial liabilities over current financial resources, due primarily to the unfunded liability for compensated absences and other post-employment benefits.
- Based on General Fund expenditures for the fiscal year 2009-10 of \$226.6 million, the operating cost per day, assuming 260 days, was \$872 thousand as compared to \$957 thousand in 2008-09.
- At the end of the fiscal year, unreserved fund balance for the General Fund is \$15 million or 6.6% percent of total General Fund expenditures. The unreserved fund balance represents 17.2 days of operating expenditures for 2010 as compared to 10.1 days for 2009.
- The District's total long-term debt for bonds and Certificates of Participation (COP's), decreased by \$15.1 million or 10 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 School Board Voluntary Employee Benefits Trust (VEBT) 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, VEBT, 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, ARRA Economic Stimulus Fund, Other Debt Service Fund, and Other Capital Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. 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 \$233.3 million at the close of the most recent fiscal year. Net Assets are 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.
- Implementation of GASB 45 which was required to be implemented by June 30, 2008 requires the District to disclose a liability which represents its 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 asset, negative \$6.2 million, reflects the long-term requirement to pay for obligations that will become due in future years. For example, compensated absences total \$29 million. An estimated \$3.4 million will be due and payable in fiscal year 2010. Resources will be available to do that. On the other hand, \$25.6 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.

<b>Statement of Net Assets</b>			
<b>(in millions)</b>			
<b>Governmental Activities</b>			
	<b>June 30, 2010</b>	<b>June 30, 2009</b>	<b>Percentage Change</b>
Current and Other Assets	\$106.8	\$121.1	-11.8%
Capital Assets	332.2	335.5	-1.0%
<b>Total Assets</b>	<b>439.0</b>	<b>456.6</b>	<b>-3.9%</b>
Long-Term Liabilities	182.2	191.2	-4.7%
Other Liabilities	23.5	28.8	-18.4%
<b>Total Liabilities</b>	<b>205.7</b>	<b>220.0</b>	<b>-6.5%</b>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	197.0	204.8	-3.8%
Restricted	42.5	51.7	-17.8%
Unrestricted	-6.2	-19.9	-68.8%
<b>Total Net Assets</b>	<b>\$233.3</b>	<b>\$236.6</b>	<b>-1.4%</b>
<b>Total Liabilities and Net Assets</b>	<b>\$439.0</b>	<b>\$456.6</b>	<b>-3.9%</b>

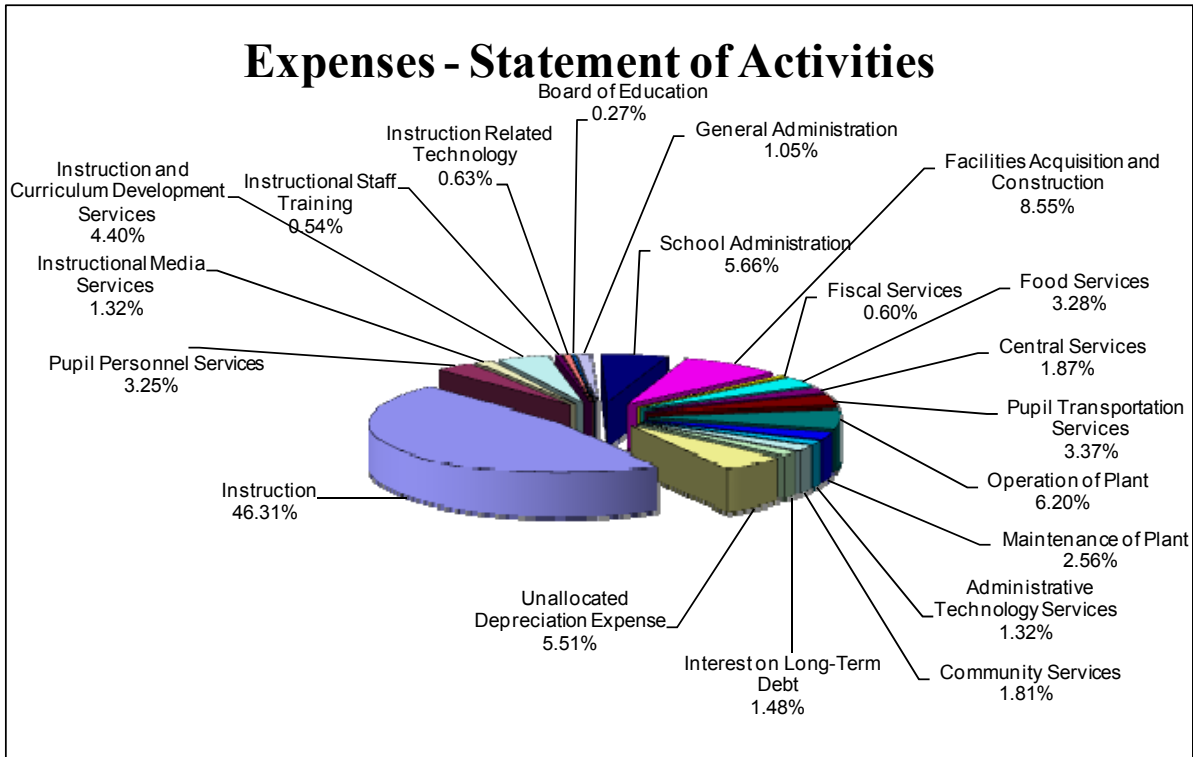
The District's net assets decreased in total by \$2.8 million during the current fiscal year.

The key elements of the changes in the District's net assets for the fiscal years ending June 30, 2010, and June 30, 2009 are as follows:

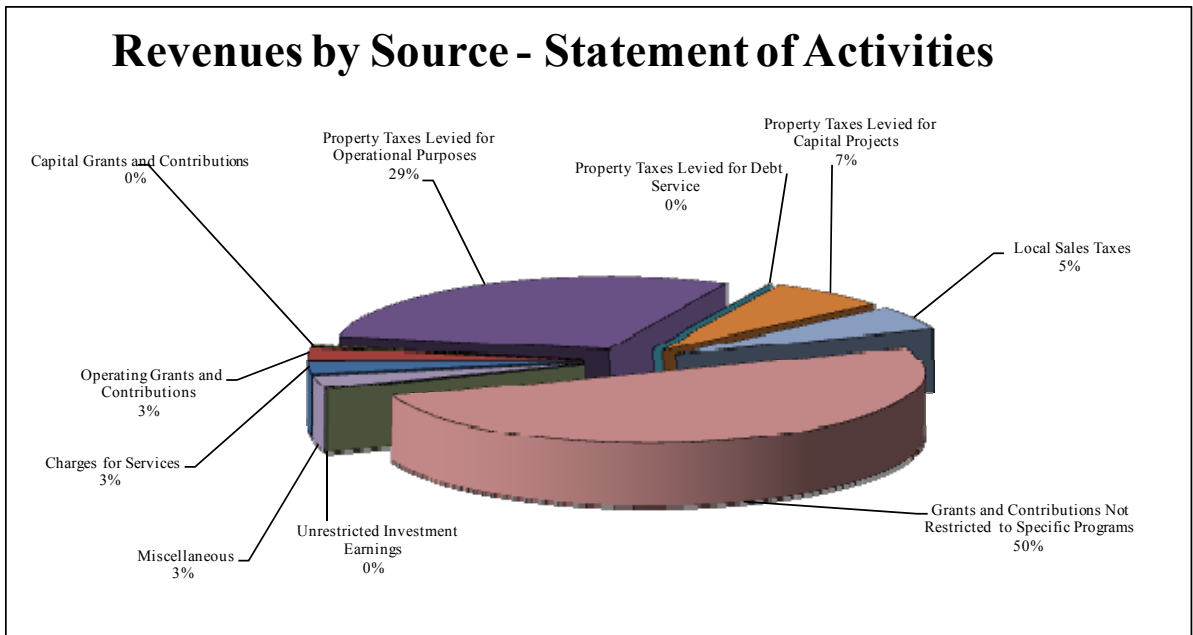
**Statement of Activities (millions)**

	<b>Governmental Activities</b>		
	<b>For the Fiscal Year Ended</b>		
	<b>2010</b>	<b>2009</b>	<b>Percentage Change</b>
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$8.9	\$9.3	-4.30%
Operating Grants and Contributions	8.7	16.8	-48.21%
Capital Grants and Contributions	1.0	0.2	400.00%
Property Taxes Levied for Operational Purposes	95.7	94.5	1.27%
Property Taxes Levied for Debt Service	0	3.6	-100.00%
Property Taxes Levied for Capital Projects	23	28.3	-18.73%
Local Sales Taxes	17.6	16.7	5.39%
Grants and Contributions Not Restricted to Specific Programs	163.8	153.5	6.78%
Unrestricted Investment Earnings	0.6	0.9	-33.33%
Miscellaneous	8.7	7.0	24.29%
<b>Total Revenues</b>	<b>\$328.0</b>	<b>\$330.8</b>	<b>-0.82%</b>
<b>Expenses</b>			
Instruction	\$153.1	\$154.1	-0.19%
Pupil Personnel Services	10.8	12.1	-10.74%
Instructional Media Services	4.4	4.5	-2.22%
Instruction and Curriculum Development Services	14.5	15.2	-3.95%
Instructional Staff Training	1.8	2.7	-33.33%
Instruction Related Technology	2.1	2.0	5.00%
Board of Education	0.9	0.8	12.50%
General Administration	3.5	3.1	12.90%
School Administration	18.7	16.2	16.05%
Facilities Acquisition and Construction	28.4	47.5	-40.21%
Fiscal Services	2.0	2.0	0.00%
Food Services	10.9	10.7	1.87%
Central Services	6.2	5.7	8.77%
Pupil Transportation Services	11.2	10.9	2.75%
Operation of Plant	20.6	20.8	-0.96%
Maintenance of Plant	8.5	8.0	6.25%
Administrative Technology Services	4.4	4.3	2.33%
Community Services	6.0	5.5	9.09%
Interest on Long-Term Debt	4.9	5.4	-9.26%
Unallocated Depreciation Expense	18.3	19.0	-3.68%
<b>Total Expenses</b>	<b>331.2</b>	<b>350.5</b>	<b>-5.25%</b>
<b>Change in Net Assets</b>	<b>-2.8</b>	<b>-19.7</b>	<b>-79.70%</b>
Net Assets, Beginning	236.1	255.8	-7.70%
<b>Net Assets, Ending</b>	<b>\$233.3</b>	<b>\$236.1</b>	<b>-1.69%</b>

The following chart depicts the distribution of expenditures of the District as a whole for the 2009-10 fiscal year:



The following chart depicts the distribution of revenues of the District as a whole for the 2009-10 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 \$79 million, a decrease of \$8.8 million in comparison with the prior year. Approximately 57 percent of this total amount (\$45.3 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 (\$10.1 million); 2) to fund specific State categorical programs (\$4.6 million); and 3) to fund other restricted purposes (\$19 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 \$15 million, while total fund balance ended at \$37 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 6.6 percent of total General Fund expenditures, while total fund balance represents 16.4 percent of that same amount. The fund balance of the District's General Fund increased \$10.8 million during the current fiscal year in comparison to a decrease of \$4.1 million in the previous year.

**ARRA Economic Stimulus Funds** which is used to account for funds allocated to the District as a result of the passage of the American Recovery and Reinvestment Act of 2009. There are three separate classifications within this fund. State Fiscal Stabilization Funds were allocated to shore up a deficit in funding from the Legislature within the Florida Education Finance Program in the amount of \$10.9 million. These funds were used to fund teacher positions at Title One schools. Targeted Stimulus funds consisted of IDEA and Title One allocations and were used in accordance with those program regulations. Other Stimulus Funds were awarded based on competition. The District was awarded grants for kitchen equipment as well as compressed natural gas busses.

**The Other Debt Service Fund** which is used to account for debt issues such as Certificates of Participation, and Sales Tax Bonds, has a total fund balance of \$12.2 million all of which is reserved to make payments on outstanding debt.

**The Capital Projects - Other Capital Projects Fund**, which is used to account for capital project activity funded by sources such as Certificates of Participation, Sales Taxes, and Class size Reduction dollars, has a total fund balance of \$20.1 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 \$9.6 million, and resulted primarily from the funding of major school construction, renovation and remodeling programs throughout the District. See pages 9 and 10 “Capital Assets and Long-Term Debt” 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, 2010 is listed below.

- The original budget for State sources of revenues in the General Fund totals \$126.6 million, and the final budget is greater than that by \$10 thousand.
- 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 \$2.2 million, \$310,000, and \$4.2 million respectively as a result of this process.
- The overall budget for revenues in the General Fund increased by \$4.9 million from the original to the final budget and total expenditure appropriations increased 10.1 million or 4% over the course of the year.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

#### **Capital Assets**

The District’s investment in capital assets as of June 30, 2010, amounts to \$332.2 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. There was a net decrease in the value of the District’s capital assets this fiscal year as depreciation exceeded acquisitions.

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

- New wing at Montford Middle School
- Improvements at Astoria Park Elementary
- Sports Complex at Belle Vue site

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

**Capital Assets (net of depreciation)**

	<b>Governmental Activities</b>	
	<b>June 30, 2010</b>	<b>June 30, 2009</b>
Land	15.6	15.6
Improvements Other Than Buildings	11.0	12.8
Buildings and Fixed Equipment	276.9	280.5
Furniture, Fixtures, and Equipment	13.3	12.2
Motor Vehicles	8.7	7.9
Construction in Progress	5.1	4.5
Computer Software	0.1	0.2
Audio-Visual Materials	1.5	1.8
Total Capital Assets	<u>\$332.2</u>	<u>\$335.5</u>

**Long-Term Debt**

At the end of the current fiscal year, the District has total debt outstanding of \$135.2 million. Of that total, \$30.8 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 Certificates of Participation payable and state school bonds payable

**Schedule of Outstanding Debt**

	<b>Governmental Activities</b>	
	<b>June 30, 2010</b>	<b>June 30, 2009</b>
Bonds Payable	23.2	34.2
Certificates of Participation	104.4	108.7
State School Bonds	7.6	7.4
	<u>\$135.2</u>	<u>\$150.3</u>

During the current fiscal year, the District’s total long-term debt decreased by \$15.1 million (10 percent). The District continues to retire more debt than is incurred. New debt for the current fiscal year consisted of \$945,000 of State School Bonds.

The District maintains an “AA” rating from Fitch for its GO bonds and an “AA-” rating from Fitch for its Certificates of Participation 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. Estimates are that the budget deficit for the state will be \$2 billion to \$4 billion next fiscal year. The upcoming year is the final year of funding for federal fiscal stimulus funds totaling \$10.4 million for Leon County Schools. The Jobs Bill recently passed by Congress provides approximately \$550 million to the state, which is approximately 64% of the federal fiscal stabilization funds used in the Florida Education Finance Program. This means Leon County Schools will receive an amount in the range of \$6 to \$7 million. The District will face a \$3 to \$4 million shortfall from loss of fiscal stabilization funding in FY 2012 provided none of this revenue is used in FY 2011. The Superintendent intends to use these funds sparingly in FY 2011 anticipating the loss of revenues in FY 2012.

## **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



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Leon County District School Board

Statement of Net Assets

June 30, 2010

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 67,761,168	\$ 58,973	\$ 67,820,141	\$ 836,539
Investments	212,064	-	212,064	642,815
Accounts receivable, net	258,607	-	258,607	22,391
Due from other agencies	8,088,024	-	8,088,024	56,891
Inventory	1,513,273	-	1,513,273	-
Prepaid items	-	-	-	26,042
Restricted assets:				
Cash with fiscal agent	23,786,020	-	23,786,020	-
Investments with fiscal agent	2,447,365	-	2,447,365	-
Investments in SBA Fund B surplus funds trust account	932,566	-	932,566	-
Deferred charges:				
Issuance costs	1,740,476	-	1,740,476	-
Noncurrent assets:				
Capital assets:				
Land	15,590,442	-	15,590,442	200,000
Construction in progress	5,087,973	-	5,087,973	-
Improvements other than buildings	33,048,462	-	33,048,462	165,623
Less accumulated depreciation	(22,015,239)	-	(22,015,239)	(94,078)
Buildings and fixed equipment	420,842,240	-	420,842,240	2,006,009
Less accumulated depreciation	(143,901,702)	-	(143,901,702)	(289,374)
Furniture, fixtures, and equipment	53,464,772	-	53,464,772	661,393
Less accumulated depreciation	(40,120,267)	-	(40,120,267)	(373,549)
Motor vehicles	21,797,143	-	21,797,143	37,354
Less accumulated depreciation	(13,123,236)	-	(13,123,236)	(6,253)
Audio visual materials	3,806,587	-	3,806,587	25,201
Less accumulated depreciation	(2,348,095)	-	(2,348,095)	(19,181)
Computer software	1,649,139	-	1,649,139	119,609
Less accumulated depreciation	(1,532,061)	-	(1,532,061)	(82,881)
Total capital assets net of accumulated depreciation	332,246,158	-	332,246,158	2,349,873
Total assets	\$ 438,985,721	\$ 58,973	\$ 439,044,694	\$ 3,934,551

(continued)

Leon County District School Board

Statement of Net Assets (continued)

June 30, 2010

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
<b>Liabilities and net assets</b>				
<b>Liabilities</b>				
Salaries and wages payable	\$ 6,636,995	\$ -	\$ 6,636,995	\$ 23,454
Payroll deductions and withholdings	7,699,732	-	7,699,732	-
Accounts payable	6,753,876	1,083	6,754,959	237,295
Construction contracts retainage payable	430,000	-	430,000	-
Accrued interest payable	3,000	-	3,000	-
Deposits payable	145,351	-	145,351	-
Due to other agencies	1,855,860	-	1,855,860	36,617
Sales tax payable	97	-	97	-
Deferred revenue	-	-	-	99,172
<i>Noncurrent liabilities:</i>				
<i>Portion due within one year:</i>				
Notes payable	-	-	-	11,240
Obligations under capital leases	-	-	-	12,885
Bonds payable	7,800,000	-	7,800,000	-
Liability for compensated absences	3,400,000	-	3,400,000	-
Certificates of participation payable	4,352,000	-	4,352,000	-
Estimated liability for long-term claims	1,678,937	-	1,678,937	-
<i>Portion due after one year:</i>				
Notes payable	-	-	-	1,042,471
Bonds payable	23,030,227	-	23,030,227	-
Liability for compensated absences	25,622,611	-	25,622,611	-
Certificates of participation payable	100,059,438	-	100,059,438	-
Estimated liability for long-term claims	6,113,799	-	6,113,799	-
Other post-employment benefits obligation	10,123,348	-	10,123,348	-
Total liabilities	205,705,271	1,083	205,706,354	1,463,134
<b>Net Assets</b>				
Invested in capital assets, net of related debt	197,004,495	-	197,004,495	1,283,277
<i>Restricted for:</i>				
Categorical carryover programs	4,588,977	-	4,588,977	-
Debt service	15,657,376	-	15,657,376	-
Capital projects	18,687,477	-	18,687,477	161,566
Other purposes	3,620,366	-	3,620,366	242,082
Unrestricted	(6,278,241)	57,890	(6,220,351)	784,492
Total net assets	233,280,450	57,890	233,338,340	2,471,417
Total liabilities and net assets	\$ 438,985,721	\$ 58,973	\$ 439,044,694	\$ 3,934,551

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

Leon County District School Board

Statement of Activities

For the Fiscal Year Ended June 30, 2010

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction	\$ 153,054,615	\$ 5,493,977	\$ -	\$ -
Pupil personnel services	10,762,080	-	-	-
Instructional media services	4,351,372	-	-	-
Instruction and curriculum development services	14,482,161	-	-	-
Instructional staff training services	1,838,248	-	-	-
Instruction related technology	2,091,118	-	-	-
School Board	883,091	-	-	-
General administration	3,494,575	-	-	-
School administration	18,745,123	-	-	-
Facilities acquisition and construction	28,449,750	-	-	1,046,972
Fiscal services	2,026,755	-	-	-
Food services	10,885,850	3,448,755	7,489,930	-
Central services	6,183,287	-	-	-
Pupil transportation	11,147,509	-	-	-
Operation of plant	20,531,345	-	-	-
Maintenance of plant	8,532,365	-	-	-
Administrative technology services	4,354,265	-	-	-
Community services	5,977,313	-	-	-
Interest on long-term debt	4,907,822	-	1,201,532	-
Unallocated depreciation/amortization expense	18,262,834	-	-	-
Total governmental activities	<u>330,961,478</u>	<u>8,942,732</u>	<u>8,691,462</u>	<u>1,046,972</u>
Business-type activities:				
Other business-type activity	73,596	74,981	-	-
Total business-type activities	<u>73,596</u>	<u>74,981</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 331,035,074</u>	<u>\$ 9,017,713</u>	<u>\$ 8,691,462</u>	<u>\$ 1,046,972</u>
Component units:				
Charter schools and foundation	\$ 9,717,792	\$ 266,633	\$ 477,829	\$ 187,071
Total component units	<u>\$ 9,717,792</u>	<u>\$ 266,633</u>	<u>\$ 477,829</u>	<u>\$ 187,071</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

Special items

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**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (147,560,638)	\$ -	\$ (147,560,638)	\$ -
(10,762,080)	-	(10,762,080)	-
(4,351,372)	-	(4,351,372)	-
(14,482,161)	-	(14,482,161)	-
(1,838,248)	-	(1,838,248)	-
(2,091,118)	-	(2,091,118)	-
(883,091)	-	(883,091)	-
(3,494,575)	-	(3,494,575)	-
(18,745,123)	-	(18,745,123)	-
(27,402,778)	-	(27,402,778)	-
(2,026,755)	-	(2,026,755)	-
52,835	-	52,835	-
(6,183,287)	-	(6,183,287)	-
(11,147,509)	-	(11,147,509)	-
(20,531,345)	-	(20,531,345)	-
(8,532,365)	-	(8,532,365)	-
(4,354,265)	-	(4,354,265)	-
(5,977,313)	-	(5,977,313)	-
(3,706,290)	-	(3,706,290)	-
(18,262,834)	-	(18,262,834)	-
<u>(312,280,312)</u>	<u>-</u>	<u>(312,280,312)</u>	<u>-</u>
-	1,385	1,385	-
	<u>1,385</u>	<u>1,385</u>	<u>-</u>
<u>\$ (312,280,312)</u>	<u>\$ 1,385</u>	<u>\$ (312,278,927)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,786,259)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,786,259)</u>
\$ 95,676,921	\$ -	\$ 95,676,921	\$ -
21,268	-	21,268	-
23,007,080	-	23,007,080	-
17,640,000	-	17,640,000	-
163,783,546	-	163,783,546	8,705,704
585,181	124	585,305	6,294
8,717,158	-	8,717,158	145,073
-	-	-	254,601
-	-	-	-
<u>309,431,154</u>	<u>124</u>	<u>309,431,278</u>	<u>9,111,672</u>
(2,849,158)	1,509	(2,847,649)	325,413
<u>236,129,608</u>	<u>56,381</u>	<u>236,185,989</u>	<u>2,146,004</u>
<u>\$ 233,280,450</u>	<u>\$ 57,890</u>	<u>\$ 233,338,340</u>	<u>\$ 2,471,417</u>

Leon County District School Board

Balance Sheet - Governmental Funds

June 30, 2010

	General	ARRA Economic Stimulus	Other Debt Service	Other Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 50,852,678	\$ 16,702	\$ 14,652,897	\$ 17,574,125	\$ 10,898,150	\$ 93,994,552
Investments	427,596	-	-	451,808	265,226	1,144,630
Accounts receivable, net	226,825	-	-	-	31,785	258,610
Due from other funds:						
Budgetary funds	976,389	543,048	-	120,000	96,562	1,735,999
Internal funds	157,761	-	-	-	-	157,761
Due from other agencies	836,701	1,000,443	-	3,091,039	3,001,286	7,929,469
Inventory	973,514	-	-	-	539,760	1,513,274
Total assets	<u>\$ 54,451,464</u>	<u>\$ 1,560,193</u>	<u>\$ 14,652,897</u>	<u>\$ 21,236,972</u>	<u>\$ 14,832,769</u>	<u>\$ 106,734,295</u>
<b>Liabilities and fund balances</b>						
<b>Liabilities</b>						
Salaries, benefits, and payroll taxes payable	\$ 5,588,310	\$ 578,046	\$ -	\$ -	\$ 470,640	\$ 6,636,996
Payroll deductions and withholdings	6,271,947	691,357	-	-	736,428	7,699,732
Accounts payable	3,475,170	114,983	-	777,974	2,385,746	6,753,873
Construction contracts payable - retained percentage	-	-	-	228,490	201,510	430,000
Matured bonds payable	-	-	2,447,366	-	3,000	2,450,366
Sales tax payable	97	-	-	-	-	97
Deposits payable	-	-	-	-	145,351	145,351
Due to other agencies	7	-	-	-	-	7
Due to other funds:						
Budgetary funds	2,086,023	175,807	-	70,043	1,259,189	3,591,062
Total liabilities	<u>17,421,554</u>	<u>1,560,193</u>	<u>2,447,366</u>	<u>1,076,507</u>	<u>5,201,864</u>	<u>27,707,484</u>
<b>Fund balances</b>						
Reserved for:						
State required carryover programs	4,588,977	-	-	-	-	4,588,977
Encumbrances	891,596	-	-	3,739,279	5,462,408	10,093,283
Inventory	973,513	-	-	-	539,760	1,513,273
Other purposes	3,620,365	-	-	12,562,921	1,322,080	17,505,366
Unreserved:						
Designated for, reported in:						
General fund	11,916,881	-	-	-	-	11,916,881
Undesignated, reported in:						
General fund	15,038,578	-	-	-	-	15,038,578
Special revenue funds	-	-	-	-	357,967	357,967
Debt service funds	-	-	12,205,531	-	1,004,479	13,210,010
Capital projects funds	-	-	-	3,858,265	944,211	4,802,476
Total fund balances	<u>37,029,910</u>	<u>-</u>	<u>12,205,531</u>	<u>20,160,465</u>	<u>9,630,905</u>	<u>79,026,811</u>
Total liabilities and fund balances	<u>\$ 54,451,464</u>	<u>\$ 1,560,193</u>	<u>\$ 14,652,897</u>	<u>\$ 21,236,972</u>	<u>\$ 14,832,769</u>	<u>\$ 106,734,295</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

June 30, 2010

<b>Total fund balances - governmental funds</b>	\$ 79,026,811
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.	332,246,158
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,740,476
Investments with fiscal agent	2,447,365
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(182,180,360)</u>
Total net assets - governmental activities	<u><u>\$ 233,280,450</u></u>

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

Leon County District School Board

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

Year ended June 30, 2010

	General	ARRA Economic Stimulus	Other Debt Service
<b>Revenues</b>			
Federal direct	\$ 306,361	\$ -	\$ -
Federal through state and local	143,025	16,445,299	-
State sources	126,586,762	-	-
Local sources:			
Property taxes levied for operational purposes	95,676,921	-	-
Property taxes levied for debt service	-	-	-
Property taxes levied for capital projects	-	-	-
Local sales taxes	-	-	-
Charges for service - food service	-	-	-
Other local revenue	10,783,718	-	20,429
Total local sources	<u>106,460,639</u>	<u>-</u>	<u>20,429</u>
Total revenues	<u>233,496,787</u>	<u>16,445,299</u>	<u>20,429</u>
<b>Expenditures</b>			
Current:			
Instruction	125,370,064	14,138,987	-
Pupil personnel services	8,736,074	332,106	-
Instructional media services	4,197,153	16,442	-
Instruction and curriculum development services	8,224,399	282,768	-
Instructional staff training services	299,762	18,789	-
Instruction related technology	1,927,742	68,390	-
School board	873,120	-	-
General administration	1,359,548	983,380	-
School administration	18,187,759	-	-
Facilities acquisition and construction	840,361	30,665	-
Fiscal services	1,975,988	-	-
Food services	-	-	-
Central services	5,858,191	-	-
Pupil transportation services	10,546,910	10,964	-
Operation of plant	20,286,353	-	-
Maintenance of plant	8,371,274	-	-
Administrative technology services	4,261,999	-	-
Community services	3,951,167	-	-
Debt service:			
Retirement of principal	-	-	11,245,854
Interest	-	-	4,964,373
Dues, fees, and issuance costs	-	-	14,585
Capital outlay:			
Facilities acquisition and construction	2,114	562,808	-
Other capital outlay	1,331,662	-	-
Total expenditures	<u>226,601,640</u>	<u>16,445,299</u>	<u>16,224,812</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	6,895,147	-	(16,204,383)
<b>Other financing sources (uses)</b>			
Long-term bonds issued	-	-	-
Transfers in	4,030,741	-	16,369,075
Transfers out	(48,021)	-	(12)
Total other financing sources (uses)	<u>3,982,720</u>	<u>-</u>	<u>16,369,063</u>
Net change in fund balances	10,877,867	-	164,680
Fund balances, July 1, 2009	26,152,043	-	12,040,851
Fund balances, June 30, 2010	<u>\$ 37,029,910</u>	<u>\$ -</u>	<u>\$ 12,205,531</u>

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



	<b>Other Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	-	\$ 1,983,023	\$ 2,289,384
	-	29,058,393	45,646,717
	-	2,612,068	129,198,830
	-	-	95,676,921
	-	21,268	21,268
	-	23,007,080	23,007,080
	17,640,000	-	17,640,000
	-	3,448,755	3,448,755
	42,062	337,158	11,183,367
	<u>17,682,062</u>	<u>26,814,261</u>	<u>150,977,391</u>
	17,682,062	60,467,745	328,112,322
	-	9,982,876	149,491,927
	-	1,440,799	10,508,979
	-	28,238	4,241,833
	-	5,606,414	14,113,581
	-	1,491,330	1,809,881
	-	46,941	2,043,073
	-	-	873,120
	-	1,118,866	3,461,794
	-	52,588	18,240,347
	-	2,640	873,666
	-	-	1,975,988
	-	10,669,611	10,669,611
	-	191,977	6,050,168
	-	358,929	10,916,803
	-	30,632	20,316,985
	-	2,024	8,373,298
	-	-	4,261,999
	-	1,980,171	5,931,338
	-	4,495,000	15,740,854
	-	499,034	5,463,407
	-	1,834	16,419
	19,140,679	21,434,053	41,139,654
	-	-	1,331,662
	<u>19,140,679</u>	<u>59,433,957</u>	<u>337,846,387</u>
	(1,458,617)	1,033,788	(9,734,065)
	-	962,198	962,198
	12	48,021	20,447,849
	<u>(8,205,431)</u>	<u>(12,175,079)</u>	<u>(20,428,543)</u>
	(8,205,419)	(11,164,860)	981,504
	(9,664,036)	(10,131,072)	(8,752,561)
	29,824,501	19,761,977	87,779,372
	<u>\$ 20,160,465</u>	<u>\$ 9,630,905</u>	<u>\$ 79,026,811</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, 2010

<b>Net change in fund balances - governmental funds</b>	<b>\$ (8,752,561)</b>
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.	(3,350,099)
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.	(43,608)
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.	14,795,854
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.	(4,632,822)
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.	(146,644)
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.	(1,201,914)
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.	629,439
Change in value on investments with fiscal agents is for future payment of bonds. This income is reflected in the statement of activities.	<u>(146,803)</u>
Change in net assets of governmental activities	<u><u>\$ (2,849,158)</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, 2010

	<b>Permitting Office Enterprise Funds</b>	<b>NFITV Consortium Internal Service Funds</b>
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 58,973	\$ -
Due from other funds - budgetary	2	-
Total assets	<u>\$ 58,975</u>	<u>\$ -</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 292	\$ -
Due to other funds - budgetary	793	-
Total current liabilities	<u>1,085</u>	<u>-</u>
<b>Net assets</b>		
Unrestricted	<u>57,890</u>	<u>-</u>
Total net assets	<u>57,890</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 58,975</u>	<u>\$ -</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, 2010

	<b>Permitting Office Enterprise Funds</b>	<b>NFITV Consortium Internal Service Funds</b>
	<u>                    </u>	<u>                    </u>
<b>Operating Revenues</b>		
Charges for services	\$ 74,981	\$ -
Total operating revenues	<u>74,981</u>	<u>-</u>
<b>Operating Expenses</b>		
Purchased services	67,917	-
Materials and supplies	5,664	-
Other expenses	15	-
Total operating expenses	<u>73,596</u>	<u>-</u>
Operating income	1,385	-
<b>Nonoperating revenues</b>		
Interest revenue	124	-
Total nonoperating revenues	<u>124</u>	<u>-</u>
<b>Income before operating transfers</b>	1,509	-
Transfers out	<u>-</u>	<u>(19,306)</u>
<b>Change in net assets</b>	1,509	(19,306)
Net assets - July 1, 2009	56,381	19,306
Net assets - June 30, 2010	<u>\$ 57,890</u>	<u>\$ -</u>

*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, 2010

	<b>Permitting Office Enterprise Funds</b>	<b>NFITV Consortium Internal Service Funds</b>
	<u>                    </u>	<u>                    </u>
<b>Cash flows from operating activities</b>		
Receipts from customers and users	\$ 92,099	\$ -
Payments to suppliers	(78,102)	-
Payments for interfund services used	-	(2,381)
Net cash provided (used) by operating activities	<u>13,997</u>	<u>(2,381)</u>
<b>Cash flows from noncapital financing activities</b>		
Transfers to other funds	-	(19,306)
Net cash used by noncapital financing activities	<u>-</u>	<u>(19,306)</u>
<b>Cash flows from investing activities</b>		
Interest and dividends received	124	-
Net cash provided by investing activities	<u>124</u>	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	14,121	(21,687)
Cash and cash equivalents - July 1, 2009	44,852	21,687
Cash and cash equivalents - June 30, 2010	<u>\$ 58,973</u>	<u>\$ -</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	\$ 1,385	\$ -
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
(Increase) decrease in due from other funds	17,118	-
Increase (decrease) in accounts payable	(3,782)	-
Increase (decrease) in due to other funds	(724)	(2,381)
Total adjustments	<u>12,612</u>	<u>(2,381)</u>
Net cash provided (used) by operating activities	<u>\$ 13,997</u>	<u>\$ (2,381)</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, 2010

	<b>Frank Stoutamire Private-Purpose Trust Funds</b>	<b>Voluntary Employee Benefits Trust Funds</b>	<b>Internal Accounts Agency Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 56,497	\$ 7,746,584	\$ 4,795,818
Investments	-	11,888	-
Accounts receivable, net	-	26,483	-
Due from other funds - budgetary	-	1,855,854	-
Total assets	<u>\$ 56,497</u>	<u>\$ 9,640,809</u>	<u>\$ 4,795,818</u>
<b>Liabilities</b>			
Salaries, benefits, and payroll taxes payable	\$ -	\$ 463,569	-
Payroll deductions and withholdings	-	5,672,661	-
Due to other funds - budgetary	-	-	157,761
Internal accounts payable	-	-	4,638,057
Total liabilities	-	6,136,230	4,795,818
<b>Net assets</b>			
Assets held in trust for pension benefits	-	3,504,579	-
Assets held in trust for scholarships and other purposes	56,497	-	-
Total net assets	<u>56,497</u>	<u>3,504,579</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 56,497</u>	<u>\$ 9,640,809</u>	<u>\$ 4,795,818</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, 2010

	<b>Frank Stoutamire Private-Purpose Trust Funds</b>	<b>Voluntary Employee Benefits Trust Funds</b>
	<u>                    </u>	<u>                    </u>
<b>Additions</b>		
Contributions:		
Employer	\$ -	\$ 17,341,391
Plan members	-	13,988,063
Investment earnings:		
Interest	162	15,475
Total investment earnings	<u>162</u>	<u>15,475</u>
Less investment expense	-	-
Net investment earnings	<u>162</u>	<u>15,475</u>
Total additions	162	31,344,929
 <b>Deductions</b>		
Purchased services	-	4,750
Other expenses	-	28,598,653
Total deductions	<u>-</u>	<u>28,603,403</u>
 <b>Change in net assets</b>	162	2,741,526
Net assets - July 1, 2009	56,335	763,053
Net assets - June 30, 2010	<u>\$ 56,497</u>	<u>\$ 3,504,579</u>

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

# Leon County District School Board

## Notes to Financial Statements

June 30, 2010

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Leon County District School Board (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 (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 School Board'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 Leon County School 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 (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 Leon County District School Board 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)

Discretely Presented Component Units - The component units 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., Imagine Leon County, LLC 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, 2010, 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, the School of Arts and Sciences Foundation, Inc., Life Skills Center Leon County, Inc., Imagine Leon County, LLC 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, 2010, 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)

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, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current 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 – 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.

American Reinvestment and Recovery Act Fund – to account for the financial resources generated by the passage of the American Reinvestment and Recovery Act of 2009. This is a special revenue fund.

Additionally, the District reports the following proprietary and fiduciary fund types:

# Leon County District School Board

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The NFITV was dissolved during the fiscal year ended June 30, 2010.

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

Other Employee Benefits Trust Fund – to account for the financial resources of 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 fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, 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)**

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. 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. 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 Depository 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)**

Investments consist of amounts placed in 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 Florida PRIME and the Fund B Surplus Funds Trust Fund investment pools created by Section 218.405 and 218.417, Florida Statutes, and those made locally. On December 4, 2007, the State Board of Administration restructured Florida PRIME to also establish the Fund B Surplus Funds Trust Fund. This was a result of investments that had been made in subprime mortgage instruments. Florida PRIME 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, 2010, in Florida PRIME, 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 0.707058094 at June 30, 2010. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the State Board of Administration, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within Florida PRIME.

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.

### **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.

# Leon County District School Board

## Notes to Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$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, fixture, 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.

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.

# Leon County District School Board

## Notes to Financial Statements

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 (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.

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.

# Leon County District School Board

## Notes to Financial Statements

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **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 2009 tax levy on September 8, 2009. Tax bills are mailed in October; and taxes are payable between November 1st of the year assessed and March 31st of the following year at discounts of up to four percent for early payment.

Taxes become a lien on property as of January 1<sup>st</sup>, and are delinquent on April 1st 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 30th of the year following the year of assessment.

Millages and taxes levied for the current year are present 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 ten 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.

#### **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.



# Leon County District School Board

## Notes to Financial Statements

### 2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

### 3. INVESTMENTS

As of June 30, 2010, 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	7.49 Year Average	\$ 932,566
Debt Service Accounts	6 Months	212,064
United States Treasury Securities (1)	July 2004-April 2029	2,447,365
Total Investments		<u>\$ 3,591,995</u>

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

# Leon County District School Board

## Notes to Financial Statements

### 3. INVESTMENTS (continued)

#### **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 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, 2010.

#### **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, 2010, the LGIP was rated with a AAAM rating by Standard and Poor's. The Fund B Surplus Trust Funds is unrated.

The District's investment in U.S. Treasury Securities are unrated.

# Leon County District School Board

## Notes to Financial Statements

### 4. CAPITAL ASSETS

Changes in capital asset are presented in the table below:

<b>Governmental Activities</b>	<b>Balance July 1, 2009</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2010</b>
Non-depreciable capital assets:				
Land	\$15,585,848	\$ 4,594	\$ –	\$ 15,590,442
Construction in progress	4,452,102	6,666,679	6,030,808	5,087,973
Total non-depreciable capital assets	20,037,950	6,671,273	6,030,808	20,678,415
Depreciable capital assets:				
Improvements other than buildings	32,435,280	613,182	–	33,048,462
Buildings and fixed equipment	414,513,830	6,328,410	–	420,842,240
Furniture, fixtures, and equipment	52,182,254	5,453,061	4,170,543	53,464,772
Motor vehicles	20,214,159	1,925,452	342,467	21,797,143
Audio-visual materials	3,802,379	4,208	–	3,806,587
Computer software	1,674,669	–	25,530	1,649,139
Total depreciable capital assets	524,822,570	14,324,313	4,538,540	534,608,343
Less accumulated depreciation:				
Improvements other than buildings	19,562,784	2,452,456	–	22,015,239
Buildings and fixed equipment	134,001,592	9,900,110	–	143,901,702
Furniture, fixtures, and equipment	39,970,844	4,276,358	4,126,934	40,120,267
Motor vehicles	12,282,454	1,183,250	342,468	13,123,236
Audio-visual materials	1,958,292	389,803	–	2,348,095
Computer software	1,540,340	17,250	25,529	1,532,061
Total accumulated depreciation	209,316,305	18,219,226	4,494,931	223,040,600
Net depreciable capital assets	315,506,265	(3,894,913)	43,609	311,567,743
Governmental activities capital assets	<u>\$335,544,215</u>	<u>\$ 2,776,360</u>	<u>\$ 6,074,417</u>	<u>\$ 332,246,158</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 Series (COPs) 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-Qualified Zone Academy Bonds (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 COPs, Series 2008B-QZAB, in the amount of \$15,000.00. 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); and 20 years commencing June 15, 2006 (Series 2006 COPs); and 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

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2021	\$ 3,313,000	\$ 3,313,000	\$ –
Total	<u>\$ 3,313,000</u>	<u>\$ 3,313,000</u>	<u>\$ –</u>

#### QZAB – Series 2008A

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
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	317,928	312,000	5,928
2016-2020	1,580,748	1,560,000	20,748
2021-2024	1,253,928	1,248,000	5,928
Total QZAB 2008A	<u>\$ 4,430,244</u>	<u>\$ 4,368,000</u>	<u>\$ 62,244</u>

Leon County District School Board

Notes to Financial Statements

5. CERTIFICATES OF PARTICIPATION (continued)

**QZAB – Series 2008B**

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
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	1,161,500	1,000,000	161,500
2016-2020	5,552,500	5,000,000	552,500
2021-2024	4,136,000	4,000,000	136,500
Total QZAB 2008B	<u>\$ 15,666,000</u>	<u>\$ 14,000,000</u>	<u>\$ 1,666,000</u>

**COPs Series 2005 – Refunding**

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2011	\$ 2,380,212	\$ 1,470,000	\$ 910,212
2012	2,382,938	1,525,000	857,938
2013	,2374,300	1,570,000	804,300
2014	,2376,762	1,635,000	741,762
2015	2,370,825	1,695,000	675,825
2016-2020	11,849,525	9,525,000	2,324,525
2021-2024	7,079,119	6,665,000	414,119
Total COPs Series 2005	<u>\$ 30,813,681</u>	<u>\$ 24,085,000</u>	<u>\$ 6,728,681</u>

**COPs Series 2006**

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
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	4,568,136	2,305,000	2,263,136
2016-2020	22,779,178	13,040,000	9,739,178
2021-2025	27,377,963	21,295,000	6,082,963
2026-2027	13,737,837	13,130,000	607,834
Total COPs Series 2006	<u>\$ 86,340,446</u>	<u>\$ 57,745,000</u>	<u>\$ 28,595,446</u>

# Leon County District School Board

## Notes to Financial Statements

### 5. CERTIFICATES OF PARTICIPATION (continued)

Total minimum lease payments	<u>\$ 140,563,371</u>	\$ 103,511,000	<u>\$ 37,052,371</u>
Add: unamortized premium		<u>900,438</u>	
Total certificates of participation		<u>\$ 104,411,438</u>	

### 6. BONDS PAYABLE

Bonds payable at June 30, 2010, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rate (Percent)</u>	<u>Annual Maturity to</u>
<b>State school bonds:</b>			
Series 1999A	\$ 300,000	4.10 – 4.75	2019
Series 2001A	1,065,000	4.00 – 5.50	2021
Series 2005A	4,615,000	4.00 – 4.75	2018
Series 2005B	670,000	4.10 – 5.25	2021
Series 2009B	925,000	3.00 – 5.00	2030
<b>District revenue bonds:</b>			
Series 1999 (refunding)	585,000	5.19	2014
<b>Sales tax revenue bonds:</b>			
Series 2003	<u>21,455,000</u>	1.50 – 5.25	2013
Total bonds payable	29,615,000		
Add unamortized bond premium	1,215,227		
Grand total bonds payable	<u>\$ 30,830,227</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. 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.

# Leon County District School Board

## Notes to Financial Statements

### 6. BONDS PAYABLE (continued)

#### 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 Chapters 1010 and 1011, Florida Statutes.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
<b>State school bonds</b>			
2011	\$ 1,213,813	\$ 845,000	\$ 368,813
2012	1,212,806	885,000	327,806
2013	1,209,456	925,000	284,456
2014	1,213,894	975,000	238,894
2015	1,210,506	1,020,000	190,506
2016-2020	2,534,450	2,160,000	374,450
2021-2025	526,438	410,000	116,438
2026-2029	395,700	355,000	40,700
Total state school bonds	<u>\$ 9,517,063</u>	<u>\$ 7,575,000</u>	<u>\$ 1,942,063</u>



Leon County District School Board

Notes to Financial Statements

**6. BONDS PAYABLE (continued)**

**District Revenue 1999 Bonds (Refunding)**

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
<b>District revenue 1999 bonds (refunding)</b>			
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 District revenue bonds	<u>\$ 647,929</u>	<u>\$ 585,000</u>	<u>\$ 62,929</u>
<b>District sales tax revenue bonds, Series 2003</b>			
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>\$ 22,875,995</u>	<u>\$ 21,455,000</u>	<u>\$ 1,420,995</u>

**7. DEFEASED DEBT**

In prior years, the School Board defeased in substance various debt issues by placing a portion of the proceeds of the new COPs and bonds to 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, 2010 are as follows:

<b>Bond Issue</b>	<b>Defeased Amount</b>
District revenue bonds, series 1985	\$ 650,000
COPS, series 1997	23,160,000
Total	<u>\$ 23,810,000</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 July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>	<u>Due in One Year</u>
Governmental activities					
Estimated insurance claims payable	\$ 7,646,092	\$ 1,766,279	\$ 1,619,635	<b>\$ 7,792,736</b>	\$ 1,678,937
Bonds payable	41,505,585	970,197	11,645,555	<b>30,830,227</b>	7,800,000
Certificates of participation payable	108,717,321	–	4,305,883	<b>104,411,438</b>	4,352,000
Compensated absences payable	24,389,788	10,481,573	5,848,751	<b>29,022,610</b>	3,400,000
Other post employee retirement benefits	8,921,434	1,201,914	–	<b>10,123,348</b>	–
Total	<u>\$ 191,180,220</u>	<u>\$ 14,419,963</u>	<u>\$23,419,824</u>	<b><u>\$ 182,180,359</u></b>	<u>\$ 17,230,937</u>

**9. INTERFUND RECEIVABLES, PAYABLES & 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	\$ 1,134,150	\$ 2,086,023
Other capital projects	120,000	70,043
American Reinvestment and Recovery Act	543,048	175,807
Nonmajor governmental	96,562	1,259,189
Enterprise	2	793
Fiduciary	1,855,854	157,761
Total	<u>\$ 3,749,616</u>	<u>\$ 3,749,616</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 & TRANSFERS (continued)

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 4,030,741	\$ 48,021
Other debt service	16,369,075	12
Other capital projects	12	8,205,431
Nonmajor governmental	48,021	12,175,079
Internal service	–	19,306
Total	<u>\$ 20,447,849</u>	<u>\$ 20,447,849</u>

The principal purpose of the interfund transfers were 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 COPs 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, 2010.

# Leon County District School Board

## Notes to Financial Statements

### 11. SCHEDULE OF STATE REVENUE SOURCES

<b>Sources</b>	<b>Amount</b>
Florida Education Finance Program	\$ 72,447,496
Categorical Educational Programs:	
Class size reduction	34,378,352
Transportation	5,088,866
Instructional materials	2,623,876
Florida School Recognition	1,285,889
Florida Comprehensive Assessment Test:	
Development grant	1,889,927
Discretionary Lottery funds	88,435
Gross receipt tax (Public Education Capital Outlay)	878,927
Motor vehicle license tax (CO and debt service)	1,369,576
Racing commission funds	223,250
Food service supplement	158,391
Other state	8,765,844
Total	\$ 129,198,830

### 12. PROPERTY TAX

The following is a summary of millages and taxes levied on the 2009 tax roll for the 2009-2010 fiscal year:

<b>General Fund</b>	<b>Millages</b>	<b>Taxes Levied</b>
Nonvoted school tax:		
Required local effort	5.249	\$ 83,284,564
Basic discretionary local effort	0.748	11,868,328
Supplemental critical operating needs	0.250	3,966,687
<b>Capital Project Funds</b>		
Nonvoted tax:		
Local capital improvements	1.50	23,800,123
Total	7.747	\$ 122,919,702

# 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 must 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 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in 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 235 District participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled \$ 681,991.86.

# 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 2009-10 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, Reemployed Retiree	(B)	(B)

NOTE: (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, 2008, June 30, 2009, and June 30, 2010, are \$17,863,279, \$17,122,418 and \$16,378,751, 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 ten 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 \$25,531 during the 2009-2010 fiscal year for retirement incentive bonuses.

### **15. POSTEMPLOYMENT 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 other post employment benefit (OPEB) costs or the net OPEB obligation. As of 10/01/08, 292 retirees received post employment healthcare benefits. The District's contribution to the OPEB obligation is the implicit subsidy for the retirees, which was \$2,030,145. 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 \$ 1,602,396.

# Leon County District School Board

## Notes to Financial Statements

### 15. POSTEMPLOYMENT 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 (ARC), 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:

Description	Amount
Normal cost (service cost for one year)	\$ 1,391,996
Amortization of unfunded actuarial accrued liability	1,863,490
Interest on normal cost and amortization	103,227
Annual required contribution	3,357,713
Interest on net OPEB obligation	379,161
Adjustment to annual required contribution	(505,815)
Annual OPEB cost (expense)	3,232,059
Contribution toward the OPEB cost	(2,030,145)
Increase in net OPEB obligation	1,201,914
Net OPEB obligation, beginning of year	8,921,434
Net OPEB obligation, end of year	\$ 10,123,348

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010 was as follows:

Fiscal Year Ending	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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%	\$ 8,921,434
June 30, 2010	\$ 3,232,059	\$ 2,030,145	62.81%	\$ 10,123,348

**Funded Status and Funding Progress** As of October 1, 2008 the actuarial valuation date, the actuarial accrued liability for benefits was \$32,190,831, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$32,190,831, and a funded ratio of zero percent. The covered payroll (annual payroll of active participating employees) was \$126,979,643 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 25.35 percent.



# Leon County District School Board

## Notes to Financial Statements

### **15. POSTEMPLOYMENT HEALTHCARE BENEFITS (continued)**

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.

**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 OPEB actuarial valuation as of October 1, 2008, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the District's 2009-10 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 4.25 percent per year, and an annual healthcare cost trend rate of nine percent for the 2008-09 fiscal year, and then reduced by .05 percent per year, to an ultimate rate of 5 percent after 10 years. The unfunded actuarial remaining amortization period at June 30, 2010, was 18 years.

# Leon County District School Board

## Notes to Financial Statements

### 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>
<b>New construction</b>			
Astoria Park			
Contractor	\$ 163,459	\$ 98,959	\$ 64,500
Engineer	1,500	228	1,272
Montford Middle School			
Contractor	4,917,931	4,917,731	200
Architect	241,602	241,062	-
Engineer	44,687	37,891	6,796
Transportation			
Contractor	1,175,309	645,523	529,786
Architect	198,498	198,498	-
Engineer	226,854	175,279	51,575
Transportation			
Compressed natural gas facility			
Contractor	951,565	571,194	380,371
Total new construction	<u>\$ 7,921,405</u>	<u>\$ 6,886,905</u>	<u>\$ 1,034,500</u>
<b>Renovations</b>			
Leon High School			
Contractor	\$ 468,418	\$ 39,782	\$ 428,636
Engineer	2,000	1,175	825
Sabal Palm Elementary			
Contractor	1,108,052	275,996	832,056
Architect	126,114	101,598	24,516
Godby High School			
Contractor	264,646	47,611	217,035
Griffin Middle School			
Contractor	1,394,162	-	1,394,162
Architect	557,702	385,399	172,303
Total renovations	<u>\$ 3,921,093</u>	<u>\$ 851,560</u>	<u>\$ 3,069,533</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>
<b>HVAC</b>			
Hartsfield			
Contractor	\$ 737,149	\$ 391,731	\$ 345,418
Engineer	33,722	19,571	14,151
Nims			
Contractor	1,117,454	367,368	750,086
Engineer	220,458	197,383	23,075
Everhart			
Contractor	1,081,557	1,071,993	9,564
Deerlake			
Contractor	547,420	30,333	517,087
Engineer	265,503	226,742	38,761
Total HVAC	<u>\$ 4,003,265</u>	<u>\$ 2,305,123</u>	<u>\$ 1,698,143</u>
<b>Handicapped</b>			
Cobb			
Contractor	\$ 150,336	\$ 86,408	\$ 63,928
Architect	82,561	72,489	10,072
Nims			
Contractor	622,700	562,235	60,465
Total handicapped	<u>\$ 855,597</u>	<u>\$ 721,132</u>	<u>\$ 134,465</u>
<b>Site Work</b>			
Astoria Park			
Contractor	\$ 365,332	\$ 138,846	\$ 226,486
Architect	29,000	23,417	5,583
Total site work	<u>\$ 394,332</u>	<u>\$ 162,263</u>	<u>\$ 232,069</u>
Grand total	<u>\$ 17,095,694</u>	<u>\$ 10,926,984</u>	<u>\$ 6,168,710</u>

# Leon County District School Board

## Notes to Financial Statements

### 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 \$7,792,736 was actuarially determined to cover estimated incurred but not reported insurance claims payable at June 30, 2010.

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

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>Balance at Fiscal Year End</b>
2008 – 2009	\$ 7,206,177	\$ 1,435,952	\$ (996,037)	\$ 7,646,092
2009 – 2010	\$ 7,646,092	\$ 1,766,279	\$ 1,619,635	\$ 7,792,736

Health and hospitalization coverages 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

During the 2009-10 fiscal year, the District dissolved the North Florida Instructional Television Consortium (Consortium), which provided for the promotion and development of instructional television services for the members. The Consortium offices were located in Leon County, and the Leon County District School Board was the fiscal agent. The net assets of the Consortium were transferred to the general fund.

### 19. SUBSEQUENT EVENTS

On September 21, 2010, the District approved the issuance of Certificates of Participation, Series 2010 in the amount of \$18,597,100. These funds will be used for construction and equipment at Killlearn Lakes Elementary, Gilchrist Elementary, Kate Sullivan Elementary, and Gretchen Everhart.

## 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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Federal direct	\$ 230,000	\$ 306,361	\$ 306,361	\$ -
Federal through state	-	143,025	143,025	-
State sources	126,576,359	126,586,762	126,586,762	-
Local sources:				
Property taxes levied for operational purposes	94,823,892	95,676,921	95,676,921	-
Other local revenue	6,945,183	10,783,718	10,783,718	-
Total local sources	101,769,075	106,460,639	106,460,639	-
<b>Total revenues</b>	228,575,434	233,496,787	233,496,787	-
<b>Expenditures</b>				
Current:				
Instruction	138,785,704	139,537,945	125,370,064	14,167,881
Pupil personnel services	6,822,254	9,026,357	8,736,074	290,283
Instructional media services	3,990,656	4,300,588	4,197,153	103,435
Instruction and curriculum development services	5,974,677	10,148,897	8,224,399	1,924,498
Instructional staff training services	746,182	901,337	299,762	601,575
Instruction related technology	1,616,004	2,147,207	1,927,742	219,465
School board	1,211,385	1,241,834	873,120	368,714
General administration	2,389,220	1,774,824	1,359,548	415,276
School administration	19,231,125	19,911,704	18,187,759	1,723,945
Facilities acquisition and construction	2,117,069	2,272,613	840,361	1,432,252
Fiscal services	1,904,723	1,995,578	1,975,988	19,590
Central services	7,971,401	8,016,552	5,858,191	2,158,361
Pupil transportation	10,264,290	11,097,488	10,546,910	550,578
Operation of plant	22,915,309	22,805,621	20,286,353	2,519,268
Maintenance of plant	8,463,599	8,818,595	8,371,274	447,321
Administrative technology services	4,524,972	4,664,404	4,261,999	402,405
Community services	5,065,541	4,972,094	3,951,167	1,020,927
Capital outlay:				
Facilities acquisition and construction	2,900	3,114	2,114	1,000
Other capital outlay	1,270,495	1,820,161	1,331,662	488,499
<b>Total expenditures</b>	245,267,506	255,456,913	226,601,640	28,855,273
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(16,692,072)	(21,960,126)	6,895,147	28,855,273
<b>Other financing sources (uses)</b>				
Transfers in	3,853,746	4,030,741	4,030,741	(19,306)
Transfers out	-	(48,021)	(48,021)	-
<b>Total other financing sources (uses)</b>	3,853,746	3,982,720	3,982,720	(19,306)
<b>Net change in fund balances</b>	(12,838,326)	(17,977,406)	10,877,867	28,835,967
Fund balances - July 1, 2009	26,752,065	26,152,043	26,152,043	-
Fund balances - June 30, 2010	\$ 13,913,739	\$ 8,193,943	\$ 37,029,910	\$ 28,835,967

See independent auditors' report.

Leon County District School Board  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual  
ARRA Economic Stimulus  
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Federal through state	\$ 5,871,876	\$ 24,591,142	\$ 16,445,299	\$ (8,145,843)
<b>Total revenues</b>	<u>5,871,876</u>	<u>24,591,142</u>	<u>16,445,299</u>	<u>(8,145,843)</u>
<b>Expenditures</b>				
Current:				
Instruction	4,559,266	20,289,342	14,138,987	6,150,355
Pupil personnel services	361,540	477,659	332,106	145,553
Instructional media services	-	16,442	16,442	-
Instruction and curriculum development services	511,750	1,477,950	282,768	1,195,182
Instructional staff training services	140,982	156,985	18,789	138,196
Instruction related technology	-	119,312	68,390	50,922
General administration	228,090	1,413,800	983,380	430,420
Facilities acquisition and construction	69,160	85,142	30,665	54,477
Food services	1,088	-	-	-
Pupil transportation	-	530,115	10,964	519,151
Operation of plant	-	24,395	-	24,395
Capital outlay:				
Facilities acquisition and construction	-	-	562,808	(562,808)
<b>Total expenditures</b>	<u>5,871,876</u>	<u>24,591,142</u>	<u>16,445,299</u>	<u>8,145,843</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	-	-
<b>Other financing sources (uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	-	-	-	-
Fund balances - July 1, 2009	-	-	-	-
Fund balances - June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

## Federal Reports and Schedules



Report of Independent Auditors 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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2010. 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's 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 the District's management in a separate letter dated December 17, 2010.

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 C.A.*

*Law, Redd, Brown & Munroe, P.A.*

December 17, 2010

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, 2010. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

## Internal Control Over Compliance

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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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 17, 2010

Leon County District School Board

Schedule of Expenditures of Federal Awards

For the Fiscal Year ended June 30, 2010

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	\$ 28,337
<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	726,897
Pass-through Florida Department of Education:			
School Breakfast Program	10.553	321	1,452,062
National School Lunch Program	10.555	300	5,047,089
Summer Food Service Program for Children	10.559	323	204,400
Total Child Nutrition Cluster			7,430,448
ARRA- Child Nutrition Discretionary Grants	10.579	317	68,028
Pass-through Florida Department of Financial Services:			
Schools and Roads-Grants to States	10.665	n/a	76,563
Total United States Department of Agriculture			7,575,039
<u>United States Department of Defense</u>			
Direct Programs:			
Air Force Junior Reserve Officer Training Corps	None	n/a	71,678
Army Junior Reserve Officer Training Corps	None	n/a	57,354
Navy Junior Reserve Officer Training Corps	None	n/a	54,136
Marine Corps Junior Reserve Officer Training Corps	None	n/a	62,459
Total United States Department of Defense			245,627
<u>United States Department of Education</u>			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	n/a	28,833
Federal Pell Grant Program	84.063	n/a	1,916,944
Total Student Financial Assistance Cluster			1,945,777
Fund for the Improvement of Education	84.215	n/a	-
Total Direct Programs			1,945,777
Indirect Programs:			
Pass-through Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	262, 263	8,929,981
ARRA- Special Education - Grants to States	84.391	263	2,899,466
Special Education - Preschool Grants	84.173	266, 267	599,820
ARRA- Special Education - Preschool Grants	84.392	267	19,275
Total Special Education Cluster			12,448,542
State Fiscal Stabilization Fund Cluster:			
ARRA- State Fiscal Stabilization Fund - Education State Grants	84.394	591	10,788,993
ARRA- State Fiscal Stabilization Fund- Government Services	84.397	592	1,392,109
Total State Fiscal Stabilization Fund Cluster			12,181,102
Adult Education Act - Basic Grants to States	84.002	192	94,453
Title I Grants to Local Educational Agencies	84.010	212, 226, 223	7,315,288
ARRA- Title I Grants to Local Educational Agencies	84.010	592	111,244
Career and Technical Education- Basic Grants to States	84.048	151	518,303
Safe and Drug Free Schools and Communities - State Grants	84.186	103	115,148
Homeless Education for Children and Youth	84.196	127	43,049
Even Start State Educational Agencies	84.213	219	132,113
Even Start State Educational Agencies	84.213	219	25,860
Charter Schools	84.282	298	208,596
21st Century Community Learning Centers	84.287	244	2,180,435
Education Technology State Grants	84.318	121	28,854
English Language Acquisition Grants	84.365	102	45,630

(continued)

Leon County District School Board

Schedule of Expenditures of Federal Awards (continued)

For the Fiscal Year ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor Number	Amount of Expenditures
Improving Teacher Quality State Grants	84.367A	224	1,266,547
Improving Teacher Quality State Grants	84.367A	224	122,999
ARRA- Education Technology State Grants	84.386	121	78,495
ARRA- Education for Homeless Children and Youth	84.387	127	43,208
ARRA- Title I Grants to Local Education Agencies	84.389	212	720,432
Learn and Serve America- School and Community Based Programs	94.004	234	43,301
Pass-through University of California			
Pass-through Florida State University			
National Writing Project	84.928A	n/a	15,833
Total Indirect Programs			<u>37,739,432</u>
Total United States Department of Education			<u>39,685,209</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>42,175</u>
Pass-through the Leon/Gadsden School Readiness Coalition:			
Temporary Assistance for Needy Families	93.558	n/a	<u>46,420</u>
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	n/a	106,514
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	n/a	<u>75,735</u>
Total Child Care and Development Fund Cluster			<u>182,249</u>
Total United States Department of Health and Human Services			<u>270,844</u>
<u>United States Department of Environmental Protection</u>			
ARRA- National Clean Diesel Emissions Reduction Program	66.039	n/a	<u>324,048</u>
<u>United States Department of Homeland Security</u>			
Pass-through Florida Department of Education			
Homeland Security Grant Program - K-12 Access Control	97.067	532	21,627
Homeland Security Grant Program - K-20 NIMS/ICS Training	97.067	532	<u>20,933</u>
Total United States Department of Homeland Security			<u>42,560</u>
<u>United States Department of Justice</u>			
Pass-through Florida Department of Juvenile Justice			
Youth Gang Prevention	16.544	n/a	<u>37,246</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>23,938</u>
Total Expenditures of Federal Awards			<u>\$ 48,232,848</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 2009-10 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
Special Education - Grants to States	84.027	\$ 209,832
Improving Teacher Quality State Grants	84.367	4,395
ARRA- State Fiscal Stabilization Fund - Education State Grants	84.394	33,647
Special Education - Preschool Grants	84.173	81,476
Charter Schools	84.282	208,597
Safe and Drug Free Schools and Communities - State Grants	84.186	11,000
		<u>\$ 548,947</u>

See the independent auditors' report on the financial statements.

Leon County District School Board

Schedule of Findings and Questioned Costs

For the Fiscal Year ended June 30, 2010

**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
	Pass through Florida Department of Education
10.579	ARRA- Child Nutrition Discretionary Grants
	United States Department of Education
	Pass through Florida Department of Education
84.010	Title I Grants to Local Educational Agencies
84.389	ARRA- Title I Grants to Local Educational Agencies
84.287	Twenty- First Century Community Learning Centers
	Education of Homeless Children and Youth Cluster:
84.196	Education of Homeless Children and Youth
84.387	ARRA- Education for Homeless Children and Youth
	Special Education Cluster:
84.027	Special Education Grants to States
84.391	ARRA- Special Education Grants to States
84.173	Special Education - Preschool Grants
84.392	ARRA- Special Education - Preschool Grants
	State Fiscal Stabilization Cluster
84.394	ARRA- State Fiscal Stabilization Fund, Education State Grants
84.397	ARRA- State Fiscal Stabilization Fund, Government Services

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,446,985

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

**None**



Other

## 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 (the District) as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated December 17, 2010.

We conducted our audit 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*. We have issued our Independent Auditors' Report on Internal Control over Financial reporting and on Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated December 17, 2010, 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 Current Year Comments and Recommendations.

### **Prior 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.

Corrective action has been partially implemented. However, some accountants are still authorized check signers on the school accounts (See Current Year Comments and Recommendations).

### **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 and minimize risk of loss..

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).

### **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.

Corrective action has been implemented for number 2 above. However, corrective action has not been taken on number 1 above (See Current Year Comments and Recommendations).

**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.

Corrective action has been implemented.

**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.

Corrective action has been implemented.

**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.

Corrective action has been implemented.

**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.

Corrective action has not been implemented (See Current Year Comments and Recommendations).

#### **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.

Corrective action has been implemented on numbers 1, 2, 4, and 5 above (See Current Year Comments and Recommendations).

#### **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*.

Corrective action has been implemented.

#### **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.

Corrective action has been implemented.

#### **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.

Corrective action has been implemented.

#### **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.

Corrective action has been implemented.

### **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.

Corrective action has been implemented.

### **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.

Corrective action has been taken.

### **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 approved policies and procedures are followed. Adherence to approval policies and procedures will help minimize the likelihood of errors occurring.

During current year testing, we noted that two of the 23 purchase card holders selected for testing had exceptions in the current year (see Current Year Comments and Recommendations).

Section 10.804(1)(f)5., *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)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 in the management letter any recommendations to improve financial management. The recommendations made are noted below under the heading Current Year Comments and Recommendations.

### **Current Year Comments and Recommendations**

#### **10-01 Purchasing Cards**

Two of the 23 purchase card holders selected for testing over controls of the purchase card system had exceptions. Both exceptions noted were for different reasons. The exceptions noted were; 1) No application containing approval for PCard Issuance was noted for one employee selected, 2) Proper approval of the monthly PCard Statement was not obtained for one employee selected. We continue to 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:* 1) The PCard Administrator has an established process wherein no new card is ordered or issued to an employee without a properly completed and authorized application form and attendance by the employee in a PCard training class. 2) Individual PCard statements are reviewed by accounts payable specialists for proper approval. The Budget Director will also remind them to monitor approval more closely.

### **10-02 Qualified Public Depository**

We noted that the Public Depositor Annual Report to the Chief Financial Officer was not filed by the due date of September 30, 2009.

Florida Statutes Section 280.17 (5) requires that each public depository shall confirm annually that public deposit information as of the close of business on September 30 has been provided by each qualified public depository and is in agreement with public depository records. Such confirmation shall include the federal employer identification number of the qualified public depository, the name on the deposit account record, the federal employer identification number on the deposit account record, and the account number, account type, and actual account balance on deposit.

We recommend the District implement a procedure to ensure that this report is filed yearly as required by statute.

*Management response:* The Public Depositor Annual Report has been filed. A tickler file has been set up to ensure that this report will be filed yearly as required by statute.

### **10-03 Travel Expenditures**

Florida Statute 112.061 states that “all travel must be authorized and approved by the head of the agency, or his or her designated representative, from whose funds the transfer is paid.” Additionally, district procedure C-2 requires that “any person traveling on official business shall have prior approval before beginning any official business travel from the head of a department or designated representative from whose funds the travel is to be paid.” We noted that there was no prior approval obtained for travel expenses of School Board members. We recommend that the District implement procedures to obtain prior approval of all District travel.

*Management response:* District staff will work to develop a policy that outlines the prior approval process for school board and superintendent travel for review and approval by the board. It is the intent of management to complete policy revisions and implementation of policy language beginning with the 2011-2012 fiscal year.

#### **10-04 Compensated Absences**

During the testing of annual leave limits in accordance with Florida Statutes Chapter 1012.65 we noted that one person had 61 days accrued, which was one day over the maximum payment. Additionally, per testing of sick leave limits in accordance with Florida Statutes Chapter 1012.61 we noted that there is no review of the calculation of the accrued sick leave. Per Florida Statute 1012.61, terminal pay of sick leave is limited by a percentage depending on the years of service provided by the employee. The original calculation provided to the auditor did not take the limitation into effect.

We recommend the District implement a review process to verify the calculation of the compensated absences.

*Management response:* There is a review process in place. The Human Resource Analyst position processes the calculation and the Coordinator verifies the calculation.

#### **10-05 Maintenance of Supporting Documentation**

The District was unable to locate one invoice and purchase order requested during testing of furniture, fixtures & equipment additions. We recommend that the District maintain its filing system, and track movement of invoices when pulled.

*Management response:* The department currently has a sign out system for invoices when pulled. This will remind everyone to closely monitor when items are pulled to ensure they are returned to the proper area.

#### **10-06 Extended Day Programs**

Various schools in the district provide before and after school care (extended day) programs. Moneys are made payable to Leon County Schools and are collected by the program administrators (e.g. Extended Day Program Directors), who are also responsible for enrolling students and verifying attendance. The District office does not reconcile moneys received to students enrolled and does not verify that each school performs an independent reconciliation. We recommend that the internal audit function assess the extended day programs to ensure adequate separation of duties is maintained in regard to enrollment, collection of moneys, and reconciliation of moneys received to pupils enrolled. Additionally, the District office should ensure that appropriate reconciliations are performed.

*Management response:* The District now has an updated procedures manual for the extended day programs and all managers have a current copy. The District has also established a position that monitors these programs to ensure that all policies and procedures are being followed.

### **10-07 Leon County Schools Foundation Audit**

In accordance with Chapter 10.700, Rules of the Auditor General, direct-support organizations shall have an audit in accordance with generally accepted government auditing standards. The audit for the Leon County Schools Foundation (the Foundation) was not performed in accordance with generally accepted government auditing standards. We recommend that the District ensure that the Foundation is aware of this requirement.

*Management response:* As management of the Foundation for Leon County Schools, we will ensure that future audits are conducted in accordance with generally accepted auditing standards.

### **10-08 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 Budget Department holds quarterly meetings with all bookkeepers; they are reminded of the daily deposit policy in the Internal Accounts Manual. In addition to these meetings, the District has a Project Manager position that works daily with the bookkeepers and also reminds them of the deposit rule.

### **10-09 Internal Accounts- Segregation of Duties**

We noted schools where the school accountant was 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 schools remove the school accountant as an authorized check signer of the bank account. Additionally, the principal or another authorized signer should receive the bank statements and review them prior to the accountant reconciling the accounts.

*Management response:* At this time, all school accountants should be removed as an authorized signer on the school’s checking accounts. School accountants are reminded at quarterly meetings and by the project manager that statements should be received and reviewed by the principal prior to their reconciling the accounts.

### **10-10 Internal Accounts – Apalachee Elementary School**

Our tests of cash disbursements identified one of twenty-five disbursements tested that did not have two authorized signatures on the check. To be in compliance with the internal accounts manual, we recommend that all checks be signed by two authorized check signers. Adherence to this control procedure should be observed by the person receiving and opening the bank statement (see comment 10-09). Violation of the dual signature requirement should be investigated and documented.

*Management response:* The principal has reviewed the “two signers” policy with our new bookkeeper and closely monitors the monthly bank statements to ensure that the checks handled by our new bookkeeper meet this requirement.

### **10-11 Internal Accounts – Astoria Park Elementary School**

Our tests of cash disbursements identified two of twenty-five disbursements tested that did not have two authorized signatures on the check. To be in compliance with the internal accounts manual, we recommend that all checks be signed by two authorized check signers. Adherence to this control procedure should be observed by the person receiving and opening the bank statement (see comment 10-09). Violation of the dual signature requirement should be investigated and documented.

*Management response:* The two checks that cleared the bank and included the bookkeeper signature were processed prior to changing the authorized signers on the schools checking account. The principal and bookkeeper have discussed the district policy regarding authorized check signers. In accordance with the policy the signature card has been updated to remove the bookkeeper and currently includes the principal, assistant principal and guidance counselor. All checks are now processed in accordance with the policy.

### **10-12 Internal Accounts – Buck Lake Elementary School**

Our tests of cash disbursements identified one of twenty-five disbursements tested that did not have supporting documentation. To be in compliance with the internal accounts manual, we recommend that all disbursements have supporting documentation before the check is issued.

*Management response:* In the case referenced, the teacher failed to ask for a receipt for the admission of field trip. Action has been taken to make sure that this failure doesn't happen again. Teachers are being reminded about the importance of obtaining receipts.

### **10-13 Internal Accounts – Chiles High School**

We noted four outstanding checks on the June 2010 bank reconciliation that were greater than five years old. In accordance with District policy, we recommend the school investigate stale dated checks and any checks outstanding for greater than five years, remove from the reconciliation and remit to the Florida Department of Financial Services, Bureau of Unclaimed Property in accordance with Section 717.102, *Florida Statutes*.

*Management response:* Chiles High School Internal Accounts Office has implemented a policy to periodically follow up on outstanding checks every 3 months with letters and phone calls to check recipients. This policy will ensure that checks will not become stale dated. The four outstanding checks that are greater than five years old will be removed from the reconciliation and remitted to the Florida Department of Financial Services, in accordance with Section 717-102, Florida Statutes.

### **10-14 Internal Accounts – Fort Braden School**

We noted two outstanding checks on the June 2010 bank reconciliation that were greater than five years old. In accordance with District policy, we recommend the school investigate stale dated checks and any checks outstanding for greater than five years, remove from the reconciliation and remit to the Florida Department of Financial Services, Bureau of Unclaimed Property in accordance with Section 717.102, *Florida Statutes*.

*Management response:* The two stale dated checks that are referenced in the Audit Comments were written off to the Leon County School Board, so that the funds can be remitted to the Florida Department of Financial Services, Bureau of Unclaimed Property in July 2010.

### **10-15 Internal Accounts – Gretchen Everhart School**

Our tests of cash disbursements identified fifteen of twenty-five disbursements tested that did not contain the signature of the sponsor/ teacher on the check requisition form authorizing the purchase of the goods/ services. We recommend that all disbursements evidence approval by two signatures on the check requisition form to include the individual initiating the purchase.

*Management response:* In response to the above subject, the Teacher/ Sponsor signatures are now being obtained on the check requisition as of early 2010. All check requisitions will be reviewed to ensure that the signatures of individuals initiating the check requisition are included.

### **10-16 Internal Accounts – Kate Sullivan Elementary School**

Our tests identified the following conditions:

1. Two of the ten disbursements tested did not have supporting documentation.
2. One of the ten disbursements tested did not contain the approval of the principal.

To be in compliance with the internal accounts manual, we recommend that all disbursements have supporting documentation before the check is issued and all disbursements contain the approval of the principal.

*Management response:* The school principal has discussed the audit finding with the new bookkeeper. Additionally, the District's School Financial Account Liaison has reinforced the proper procedures with the new bookkeeper.

#### **10-17 Internal Accounts – Oak Ridge Elementary School**

Our tests of cash disbursements identified two of ten disbursements tested that did not have supporting documentation. To be in compliance with the internal accounts manual, we recommend that all disbursements have supporting documentation before the check is issued.

*Management response:* The school bookkeeper will keep proper accessible documentation of all internal accounts activities according to the policies outlined in the Leon County School Internal Accounts Manual. The situations that lead to the documentation inadvertently being omitted have been discussed with the principle. The principal and bookkeeper are working to prevent any such deficiencies in the future.

#### **10-18 Internal Accounts – Raa Middle 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.

*Management response:* As requested by the External Auditors on the Audit of Internal Accounts for Raa Middle School. The bookkeeper was removed from the signature card from for the internal accounts. At the time we did not realize that the 3<sup>rd</sup> signature was required on the account. Upon receipt of notification of the need for corrective action an additional 3<sup>rd</sup> signature was added to the bank card. A copy of the bank signature card was provided.

#### **10-19 Internal Accounts – Rickards High School**

Our tests of cash disbursements identified two of twenty-five disbursements tested that the check amount did not agree to the supporting documentation resulting in overpayments to the payee. We recommend the check signers review supporting documentation prior to signing checks to ensure that all disbursements are properly supported and are for authorized and allowable purchases.

*Management response:* The principal and the bookkeeper work cooperatively to carefully check and double check all financial items. This will help to ensure that our records are correct and that we are in compliance with all Red book and district requirements.

### **10-20 Internal Accounts – Ruediger Elementary School**

Our tests of cash disbursements identified one of ten disbursements tested that did not have two authorized signatures on the check. To be in compliance with the internal accounts manual, we recommend that all checks be signed by two authorized check signers. Adherence to this control procedure should be observed by the person receiving and opening the bank statement (see comment 10-09). Violation of the dual signature requirement should be investigated and documented.

*Management response:* As part of the process, the principal is always a signer on each check and whenever possible the AP is the second signer. When the AP is unavailable, the Registrar signs the checks. This is monitored monthly by reviewing the bank statement that displays the processed checks.

### **10-21 Internal Accounts – W.T. Moore Elementary School**

Our tests identified the following conditions:

1. One of the ten disbursements tested contained a check with only one signature.
2. One of the ten disbursements tested was coded to the incorrect expense.

To be in compliance with the internal accounts manual, we recommend that all checks be signed by two authorized signers. Adherence to this control procedure should be observed by the person receiving and opening the bank statement (see comment 10-09). Violation of the dual signature requirement should be investigated and documented.

*Management response:* All checks will be signed by two designees and then checked by a third party for accuracy. Also, this same process will be applied to account numbers and the coding of expenses.

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 17, 2010