

Financial Statements  
and Other Financial Information

Leon County District School Board  
Tallahassee, Florida

*Year ended June 30, 2012  
with Report of Independent Auditors*

## TABLE OF CONTENTS

	<b>Page Number</b>
<b>Financial Section</b>	
Report of Independent Auditors 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	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities	23
Statement of Net Assets – Proprietary Funds	24
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds	26
Statement of Fiduciary Net Assets – Fiduciary Funds	27
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	28
Notes to Financial Statements	29
<b>Other Required Supplementary Information</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – General Fund	60
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget to Actual – Federal Economic Stimulus	61

## TABLE OF CONTENTS (Continued)

	<b>Page Number</b>
<b>Federal Reports and Schedules</b>	
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>	62
Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	64
Schedule of Expenditures of Federal Awards	66
Schedule of Findings and Questioned Costs	68
Summary Schedule of Prior Year Audit Findings	69
<b>Other Reports</b>	
Management Letter	70

## Report of Independent Auditors 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, 2012, 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, 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, 2012, 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 March 6, 2013, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 13 and the Budgetary Comparison Schedules on pages 60 and 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were 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 and schedule of findings and questioned costs relating to federal awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Munroe P.A.

March 6, 2013

## **LEON COUNTY SCHOOL BOARD MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

As Management of the Leon County School Board (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012

### **FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$ 227.8 million.
- Total revenues (Statement of Activities) of \$308 million were comprised of general revenues in the amount of \$282.9 million, or 92 percent, and program specific revenues from charges for services and grants, and contributions in the amount of \$25.1 million or 8 percent.
- For the year ended June 30, 2012, the District had \$322.1 million in expenses related to governmental activities; \$25.1 million of which were offset by program specific charges or services, grants, and other sources. General revenues (primarily taxes and State funding programs) of \$282.9 million were not sufficient to provide for the District's programs resulting in a decrease in net assets of \$14.1 million.
- As of the close of the fiscal year, the District's governmental funds report combined ending fund balances of \$122.7 million, a decrease of \$15.2 million in comparison with the prior year. Approximately 13.4 percent of this total amount, \$16.4 million, is available for spending at the District's discretion for the purposes defined for each governmental fund (unassigned fund balance).
- The unrestricted net asset amount of negative \$30.9 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 2011-2012 of \$231.9 million, the operating cost per day, assuming 260 days, was \$892 thousand as compared to \$875 thousand in 2010-11.
- At the end of the fiscal year, unassigned fund balance for the General Fund is \$16.4 million or 7.0% percent of total General Fund expenditures. The unassigned fund balance represents 18.4 days of operating expenditures for 2012 as compared to 18.7 days for 2011.
- The District's total long-term debt for bonds and Certificates of Participation (COP's), and Notes Payable decreased by \$7.9 million or 4.5 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 four legally separate charter schools. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Leon County Schools Employee Benefits Trust (Trust) and the Leon County Schools Leasing Corporation (Corporation), although also legally separate entities, were formed to administer the District's group health and life insurance program and facilitate financing for the acquisition of facilities and equipment, respectively. Due to the substantive economic relationships between the District and the Trust and Corporation, their financial activities have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 14 through 17 of 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, Federal Economic Stimulus Programs Fund, Debt Service-Other Fund, ARRA Economic Stimulus Debt Service, Capital Projects-District Bonds Fund, and ARRA Economic Stimulus 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 on pages 18-19 and 21-22 of this report.

**Proprietary Funds** –Proprietary funds may be established to account for activities in which a fee is charged for services. The District’s only Proprietary fund is classified as an Enterprise fund. 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.

**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 purpose.

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 on pages 29-59 of 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 \$227.8 million at the close of the most recent fiscal year. Net Assets is segregated into capital assets, net of related debt, restricted net assets and unrestricted net assets. Capital assets (e.g., land, buildings, machinery, and equipment), are stated at their cost at the time of acquisition, net of accumulated depreciation and less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide educational and related services to its students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net assets are those that are constrained by debt covenants, enabling legislation or other legal requirements. Unrestricted Net Assets is the portion of net assets that can be used to meet the District's ongoing obligations to citizens and creditors. The deficit in unrestricted net assets is primarily due to three factors:

- The District has never budgeted the amount needed to fully finance liabilities arising from property and casualty claims. The District is self-insured for these claims up to specific limits.
- The District has never had the resources, currently available, to appropriate budget for unused employee vacation and sick days.
- Implementation of GASB 45 reporting began with fiscal year ending June 30, 2008. It requires the District to disclose a liability which represents the 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 \$30.8 million, reflects the long-term requirement to pay for obligations that will become due in future years. For example, compensated absences total \$28.2 million. An estimated \$3.3 million will be due and payable in fiscal year 2012. Resources will be available to do that. On the other hand, \$24.9 million will be due and payable two or more years from the date of this statement. The District 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.

**Net Assets, End of Year**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>6/30/12</b>	<b>6/30/11</b>	<b>6/30/12</b>	<b>6/30/11</b>	<b>6/30/12</b>	<b>6/30/11</b>
Current and Other Assets	\$141,553,001	\$150,139,651	\$79,867	\$56,495	\$141,632,868	\$150,196,146
Capital Assets	316,795,279	321,560,398	–	–	316,795,279	321,560,398
<b>Total Assets</b>	<b>458,348,280</b>	<b>471,700,049</b>	<b>79,867</b>	<b>56,495</b>	<b>458,428,147</b>	<b>471,756,545</b>
Long-Term Liabilities	213,330,247	219,193,515	–	–	213,330,247	219,193,515
Other Liabilities	17,249,433	10,839,491	851	4,925	17,250,284	10,844,415
<b>Total Liabilities</b>	<b>230,579,680</b>	<b>230,033,006</b>	<b>851</b>	<b>4,925</b>	<b>230,580,531</b>	<b>230,037,931</b>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	190,351,477	205,131,689	–	–	190,351,477	205,131,689
Restricted	68,270,578	44,078,217	–	–	68,270,578	44,078,217
Unrestricted	(30,853,455)	(7,542,862)	79,016	51,570	(30,744,439)	(7,491,291)
<b>Total Net Assets</b>	<b>\$227,768,600</b>	<b>\$241,667,044</b>	<b>\$79,016</b>	<b>\$51,570</b>	<b>\$227,847,616</b>	<b>\$241,718,614</b>

The District's net assets decreased in total by \$13.9 million during the current fiscal year.

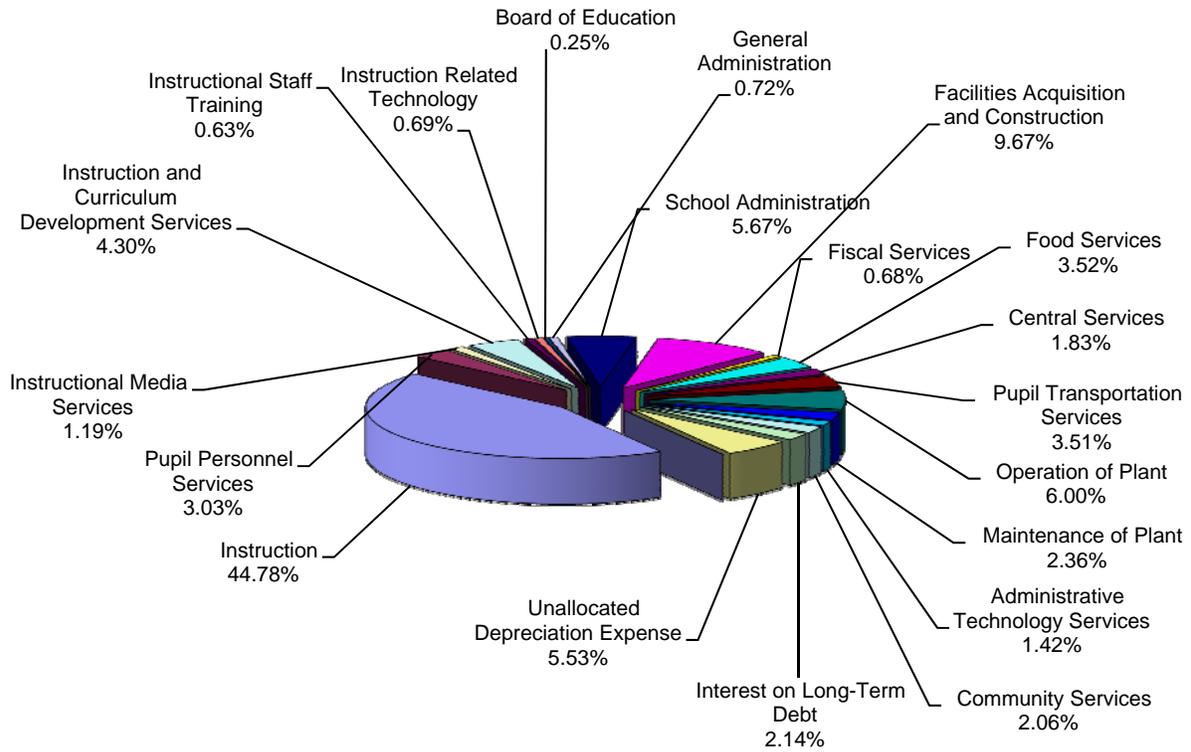
The key elements of the changes in the District's net assets for the fiscal years ending June 30, 2012, and June 30, 2011 are as follows:

	Operating Results for the Fiscal Year Ended					
	Governmental		Business-Type		Total	
	Activities		Activities			
	6/30/2012	6/30/2011	6/30/2012	6/30/2011	6/30/2012	6/30/2011
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 9,433,246.76	\$ 9,076,311.16	\$ 60,897.00	\$ 64,602.11	\$ 9,494,143.76	\$ 9,140,913.27
Operating Grants and Contributions	13,864,706.84	14,541,761.18	-	-	13,864,706.84	14,541,761.18
Capital Grants and Contributions	1,757,112.67	2,638,930.75	-	-	1,757,112.67	2,638,930.75
<b>General Revenues:</b>						
Property Taxes Levied for Operational Purposes	91,918,271.07	98,133,647.12	-	-	91,918,271.07	98,133,647.12
Property Taxes Levied for Capital Projects	21,943,070.56	22,530,061.09	-	-	21,943,070.56	22,530,061.09
Local Sales Taxes	18,870,685.83	16,746,946.27	-	-	18,870,685.83	16,746,946.27
Grants and Contributions Not Restricted to Specific Programs	140,362,455.08	167,259,747.28	-	-	140,362,455.08	167,259,747.28
Unrestricted Investment Earnings	1,365,251.22	525,046.07	112.05	130.48	1,365,363.27	525,176.55
Miscellaneous	8,458,352.88	9,034,898.56	-	-	8,458,352.88	9,034,898.56
<b>Total Revenues</b>	<b>\$ 307,973,152.91</b>	<b>\$ 340,487,349.48</b>	<b>\$ 61,009.05</b>	<b>\$ 64,732.59</b>	<b>\$ 308,034,161.96</b>	<b>\$ 340,552,082.07</b>
<b>Expenses</b>						
Instruction	\$ 144,301,749.00	\$ 154,544,305.41	-	-	\$ 144,301,749.00	\$ 154,544,305.41
Pupil Personnel Services	9,768,412.00	10,348,993.69	-	-	9,768,412.00	10,348,993.69
Instructional Media Services	3,848,597.00	4,079,712.52	-	-	3,848,597.00	4,079,712.52
Instruction and Curriculum Development Services	13,850,569.00	13,697,490.76	-	-	13,850,569.00	13,697,490.76
Instructional Staff Training	2,023,623.00	1,914,544.62	-	-	2,023,623.00	1,914,544.62
Instruction Related Technology	2,230,252.00	2,216,448.01	-	-	2,230,252.00	2,216,448.01
Board of Education	816,348.00	882,797.37	-	-	816,348.00	882,797.37
General Administration	2,323,315.00	3,254,234.03	-	-	2,323,315.00	3,254,234.03
School Administration	18,272,659.00	19,034,275.92	-	-	18,272,659.00	19,034,275.92
Facilities Acquisition and Construction	31,082,013.00	28,921,164.14	-	-	31,082,013.00	28,921,164.14
Fiscal Services	2,185,606.00	2,013,418.98	-	-	2,185,606.00	2,013,418.98
Food Services	11,316,766.00	11,042,713.78	-	-	11,316,766.00	11,042,713.78
Central Services	5,954,312.00	6,423,841.42	-	-	5,954,312.00	6,423,841.42
Pupil Transportation Services	11,299,222.00	11,133,385.21	-	-	11,299,222.00	11,133,385.21
Operation of Plant	19,295,656.00	20,573,969.80	-	-	19,295,656.00	20,573,969.80
Maintenance of Plant	7,596,760.00	8,143,996.98	-	-	7,596,760.00	8,143,996.98
Administrative Technology Services	4,586,945.00	4,223,747.08	-	-	4,586,945.00	4,223,747.08
Community Services	6,620,011.00	6,360,654.12	-	-	6,620,011.00	6,360,654.12
Interest on Long-Term Debt	6,885,604.00	5,963,569.24	-	-	6,885,604.00	5,963,569.24
Unallocated Depreciation Expense	17,776,758.00	17,203,128.00	-	-	17,776,758.00	17,203,128.00
Loss on Disposal of Capital Assets	37,522.00	124,364.72	-	-	37,522.00	124,364.72
District Permitting Office	-	-	33,562.87	71,052.26	33,562.87	71,052.26
<b>Total Functions/Program Expenses</b>	<b>322,072,699.00</b>	<b>332,100,755.80</b>	<b>33,562.87</b>	<b>71,052.26</b>	<b>322,106,261.87</b>	<b>332,171,808.06</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (14,099,546.09)</b>	<b>\$ 8,386,593.68</b>	<b>\$ 27,446.18</b>	<b>\$ (6,319.67)</b>	<b>\$ (14,072,099.91)</b>	<b>\$ 8,380,274.01</b>

The following chart depicts the distribution of expenditures of the District as a whole for the 2011-12

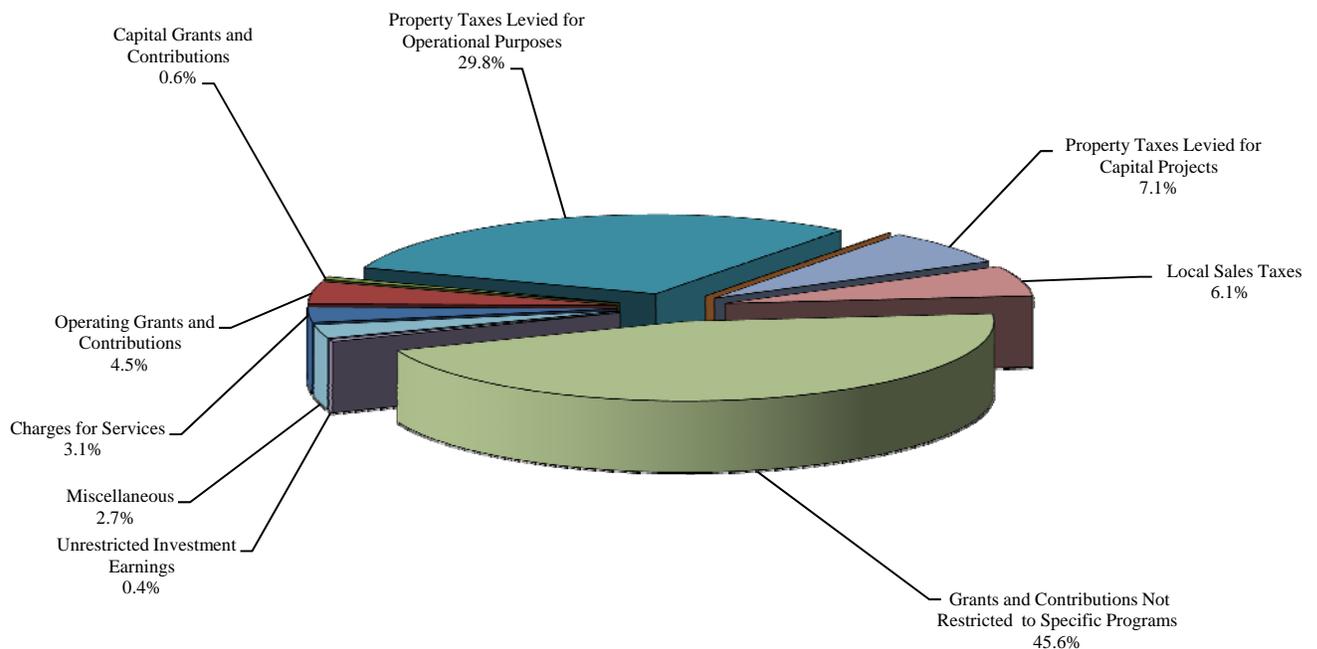
Fiscal year:

## Expenses - Statement of Activities



The following chart depicts the distribution of revenues of the District as a whole for the 2011-12 fiscal year.

## Revenues by Source - Statement of Activities



### 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 \$122.7 million, a decrease of \$15.2 million in comparison with the prior year. Approximately 13.4 percent of this total amount (\$16.4 million) constitutes unassigned fund balances, which are available for spending at the government's discretion within the purpose of each fund. The remainder of fund balances are nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been obligated to: 1) account for inventories 2) liquidate contracts and purchase orders outstanding at year-end (\$4.7 million); 3) fund specific state categorical programs (\$9.3 million); 4) to fund restricted debt service purposes (\$20.8 million) 5) fund restricted capital projects (\$54.2 million); to fund special revenue purposes (\$1.4 million); fund assigned general fund projects (\$14.4 million).

**The General Fund** is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund is \$16.4 million, while total fund balance ended at \$45.9 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 7 percent of total General Fund expenditures, while total fund balance represents 19.8 percent of that same amount. The fund balance of the District's General Fund decreased \$4.5 million during the current fiscal year in comparison to an increase of \$13.2 million in the previous year. The previous year (FY 2011) had the .25 mill critical operating needs millage revenue of \$4 million and the Federal Jobs Bill of \$6.7 million as one-time infusions of funding. These funds were reserved in FY 2011 for expenditure in FY 2012. There were no such new revenue sources during FY 2012.

**Federal Economic Stimulus Funds** 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. Race to the Top funding makes up the majority of these funds. Race to the Top is being used to close student achievement gaps within the District.

**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 \$19.7 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 Qualified School Academy bonds, has a total fund balance of \$27.1 million all of which is reserved for capital projects.

**The ARRA Economic Stimulus Capital Projects Fund**, which is used to account for capital project activity funded by Qualified School Academy bonds has a total fund balance of \$15.3 million all of which is reserved for capital projects.

## **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, 2012 is listed below.

- The original budget for State sources of revenues in the General Fund totals \$120.7 million, and the final budget is lower by \$1.3 million.
- The staffing plan is allocated as closely as possible to the proper function at the beginning of the year, however as positions are established, budget amendments are frequently made among the instruction and instructional services functions. Pupil Personnel Services, Instructional Media Services, and Instruction and Curriculum Development Services each reflected increased budgets of \$1.6 million, \$87,000, and \$3.1 million respectively as a result of this process.
- The overall budget for revenues in the General Fund increased by \$1.8 million from the original to the final budget and total expenditure appropriations increased 2.6 million or 1% 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, 2012, amounts to \$316.8 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 renovations or remodeling at ten schools and new construction at three schools and Transportation.

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

#### Capital Assets (net of depreciation)

	Governmental Activities	
	June 30, 2012	June 30, 2011
Land	\$15,590,442.17	\$15,590,442.17
Improvements Other Than Buildings	\$10,664,853.23	11,363,665.55
Buildings and Fixed Equipment	\$258,985,454.68	268,836,969.98
Furniture, Fixtures, and Equipment	\$12,454,265.23	12,211,062.42
Motor Vehicles	\$6,805,919.30	8,448,508.14
Construction in Progress	\$11,356,640.86	3,989,970.96
Computer Software	\$88,533.91	87,759.46
Audio-Visual Materials	\$849,169.26	1,032,019.60
<b>Total Capital Assets</b>	<b>\$316,795,278.64</b>	<b>\$321,560,398.28</b>

### Long-Term Debt

At the end of the current fiscal year, the District has total debt outstanding of \$166.5 million. Of that total, \$14 million is considered to be general "bonded debt" (i.e., backed by the full faith and credit of the District). The District added \$5.6 million in notes payable secured by General Fund ad valorem tax revenue. The funds were secured to purchase additional Compressed Natural Gas busses for our Transportation fleet. The remainder of the District's debt consisted of Certificates of Participation payable and state school bonds payable.

	Schedule of Outstanding Debt	
	Governmental Activities	
	June 30, 2012	June 30, 2011
Notes Payable	\$5,600,000.00	—
Bonds Payable	\$8,301,188.00	\$15,992,720.31
Certificates of Participation	\$146,860,919.30	151,806,794.17
State School Bonds	\$5,720,000.00	6,605,000.00
	<b>\$166,482,107.00</b>	<b>\$174,404,514.48</b>

During the current fiscal year, the District's total long-term debt decreased by \$10.9 million (6.2 percent).

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. Standard and Poor's affirmed the Districts' A+ bond rating in August, 2010. This is a positive stance for the District 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 on pages 42 - 50.

### **OTHER MATTERS OF SIGNIFICANCE**

Florida's budget numbers seem to be improving. State economists expect tax collections to grow by 4.3 percent in the coming year, and then grow an additional 5 percent in the year after that. Real estate tax and documentary tax collections are growing strongly. The three main drivers of Florida's economy are development, such as home construction, tourism and agriculture. These economic drivers generate much of the money to pay for state services (<http://www.thefloridacurrent.com/article.cfm?id=28847851>).

An international concern that would affect the world and national economy, and therefore the state economy, is the prospect of an escalation of conflict in the Middle East. A war in the Middle East would cause oil and gas prices to escalate, which would in turn cause a downturn of the economy and adversely affect tax revenue.

(<http://www.globes.co.il/serveen/globes/docview.asp?did=1000773547&fid=1725>).

### **REQUESTS FOR INFORMATION**

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

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

Leon County District School Board

Statement of Net Assets

June 30, 2012

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 71,618,147	\$ 79,867	\$ 71,698,014	\$ 984,432
Investments	166,880	-	166,880	131,038
Taxes receivable	19,315	-	19,315	-
Accounts receivable, net	337,996	-	337,996	124,766
Due from fiscal agent	256,504	-	256,504	-
Deposits receivable	-	-	-	200
Due from other agencies	7,112,975	-	7,112,975	29,496
Internal balances	-	-	-	-
Inventory	1,425,065	-	1,425,065	116,922
Prepaid items	94,587	-	94,587	-
Restricted assets:				
Cash with fiscal agent	51,497,791	-	51,497,791	-
Investments with fiscal agent	6,621,264	-	6,621,264	-
Investments in SBA Fund B surplus funds trust account	751,438	-	751,438	-
Deferred charges:				
Issuance costs	1,651,039	-	1,651,039	28,467
Noncurrent assets:				
Capital assets:				
Land	15,590,442	-	15,590,442	200,000
Construction in progress	11,356,641	-	11,356,641	-
Improvements other than buildings	35,209,085	-	35,209,085	194,893
Less accumulated depreciation	(24,544,232)	-	(24,544,232)	(68,601)
Buildings and fixed equipment	422,590,188	-	422,590,188	2,040,900
Less accumulated depreciation	(163,604,733)	-	(163,604,733)	(402,190)
Furniture, fixtures, and equipment	53,448,482	-	53,448,482	723,706
Less accumulated depreciation	(40,994,217)	-	(40,994,217)	(510,433)
Motor vehicles	22,361,979	-	22,361,979	56,854
Less accumulated depreciation	(15,556,060)	-	(15,556,060)	(21,887)
Audio visual materials	4,027,247	-	4,027,247	26,897
Less accumulated depreciation	(3,178,077)	-	(3,178,077)	(22,254)
Computer software	845,265	-	845,265	43,091
Less accumulated depreciation	(756,731)	-	(756,731)	(42,938)
Total capital assets net of accumulated depreciation	316,795,279	-	316,795,279	2,218,038
Total assets	\$ 458,348,280	\$ 79,867	\$ 458,428,147	\$ 3,633,359

(continued)

Leon County District School Board

Statement of Net Assets (continued)

June 30, 2012

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
<b>Liabilities and net assets</b>				
<b>Liabilities</b>				
Salaries and wages payable	\$ 7,356,103	\$ -	\$ 7,356,103	\$ 16,098
Payroll deductions and withholdings	1,868,323	-	1,868,323	-
Accounts payable	6,951,609	161	6,951,770	352,158
Construction contracts retainage payable	888,252	-	888,252	-
Accrued interest payable	3,000	-	3,000	-
Deposits payable	181,830	-	181,830	-
Due to other agencies	96	690	786	131,038
Sales tax payable	220	-	220	-
Deferred revenue	-	-	-	16,207
<i>Noncurrent liabilities:</i>				
<i>Portion due within one year:</i>				
Notes payable	1,120,000	-	1,120,000	4,937
Obligations under capital leases	-	-	-	16,676
Bonds payable	8,540,000	-	8,540,000	-
Liability for compensated absences	3,300,000	-	3,300,000	-
Certificates of participation payable	5,022,000	-	5,022,000	-
Estimated liability for long-term claims	1,242,247	-	1,242,247	-
<i>Portion due after one year:</i>				
Notes payable	4,480,000	-	4,480,000	481,348
Bonds payable	5,481,188	-	5,481,188	-
Liability for compensated absences	24,871,057	-	24,871,057	-
Certificates of participation payable	141,838,919	-	141,838,919	-
Estimated liability for long-term claims	4,879,368	-	4,879,368	-
Other post-employment benefits obligation	12,555,468	-	12,555,468	-
Total liabilities	230,579,680	851	230,580,531	1,018,462
<b>Net Assets</b>				
Invested in capital assets, net of related debt	190,351,477	-	190,351,477	1,715,077
<i>Restricted for:</i>				
Categorical carryover programs	3,871,824	-	3,871,824	-
Debt service	20,759,152	-	20,759,152	-
Capital projects	15,848,948	-	15,848,948	-
Food service	1,794,892	-	1,794,892	-
Other purposes	25,995,762	-	25,995,762	142,230
Unrestricted	(30,853,455)	79,016	(30,774,439)	757,590
Total net assets	227,768,600	79,016	227,847,616	2,614,897
Total liabilities and net assets	\$ 458,348,280	\$ 79,867	\$ 458,428,147	\$ 3,633,359

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

Leon County District School Board

Statement of Activities

Year Ended June 30, 2012

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction	\$ 144,301,749	\$ 6,453,260	\$ -	\$ -
Pupil personnel services	9,768,412	-	-	-
Instructional media services	3,848,597	-	-	-
Instruction and curriculum development services	13,850,569	-	-	-
Instructional staff training services	2,023,623	-	-	-
Instruction related technology	2,230,252	-	-	-
School Board	816,348	-	-	-
General administration	2,323,315	-	-	-
School administration	18,272,659	-	-	-
Facilities acquisition and construction	31,082,013	-	-	1,757,113
Fiscal services	2,185,606	-	-	-
Food services	11,316,766	2,979,987	8,744,303	-
Central services	5,954,312	-	-	-
Pupil transportation	11,299,222	-	5,100,211	-
Operation of plant	19,295,656	-	-	-
Maintenance of plant	7,596,760	-	-	-
Administrative technology services	4,586,945	-	-	-
Community services	6,620,011	-	-	-
Interest on long-term debt	6,885,604	-	20,193	-
Unallocated depreciation/amortization expense	17,776,758	-	-	-
Loss on disposal of capital assets	37,522	-	-	-
Total governmental activities	<u>322,072,699</u>	<u>9,433,247</u>	<u>13,864,707</u>	<u>1,757,113</u>
Business-type activities:				
Other business-type activity	33,563	60,897	-	-
Total business-type activities	<u>33,563</u>	<u>60,897</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 322,106,262</u>	<u>\$ 9,494,144</u>	<u>\$ 13,864,707</u>	<u>\$ 1,757,113</u>
Component units:				
Charter schools and foundation	\$ 7,993,414	\$ 232,369	\$ 350,723	\$ 429,541
Total component units	<u>\$ 7,993,414</u>	<u>\$ 232,369</u>	<u>\$ 350,723</u>	<u>\$ 429,541</u>

**General Revenues:**

Taxes:

Property taxes, levied for operational purposes

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

Prior period adjustment

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>
\$ (137,848,489)	\$ -	\$ (137,848,489)	\$ -
(9,768,412)	-	(9,768,412)	-
(3,848,597)	-	(3,848,597)	-
(13,850,569)	-	(13,850,569)	-
(2,023,623)	-	(2,023,623)	-
(2,230,252)	-	(2,230,252)	-
(816,348)	-	(816,348)	-
(2,323,315)	-	(2,323,315)	-
(18,272,659)	-	(18,272,659)	-
(29,324,900)	-	(29,324,900)	-
(2,185,606)	-	(2,185,606)	-
407,524	-	407,524	-
(5,954,312)	-	(5,954,312)	-
(6,199,011)	-	(6,199,011)	-
(19,295,656)	-	(19,295,656)	-
(7,596,760)	-	(7,596,760)	-
(4,586,945)	-	(4,586,945)	-
(6,620,011)	-	(6,620,011)	-
(6,865,411)	-	(6,865,411)	-
(17,776,758)	-	(17,776,758)	-
(37,522)	-	(37,522)	-
<u>(297,017,632)</u>	<u>-</u>	<u>(297,017,632)</u>	<u>-</u>
-	27,334	27,334	-
-	<u>27,334</u>	<u>27,334</u>	<u>-</u>
<u>\$ (297,017,632)</u>	<u>\$ 27,334</u>	<u>\$ (296,990,298)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,980,781)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,980,781)</u>
\$ 91,918,271	\$ -	\$ 91,918,271	\$ -
21,943,071	-	21,943,071	-
18,870,686	-	18,870,686	-
140,362,455	-	140,362,455	6,633,543
1,365,251	112	1,365,363	570
8,458,353	-	8,458,353	247,763
-	-	-	(34,007)
-	-	-	-
<u>282,918,087</u>	<u>112</u>	<u>282,918,199</u>	<u>6,847,869</u>
(14,099,545)	27,446	(14,072,099)	(132,912)
241,667,044	51,570	241,718,614	2,747,809
201,101	-	201,101	-
<u>\$ 227,768,600</u>	<u>\$ 79,016</u>	<u>\$ 227,847,616</u>	<u>\$ 2,614,897</u>

Leon County District School Board

Balance Sheet - Governmental Funds

June 30, 2012

	<b>General</b>	<b>Federal Economic Stimulus</b>	<b>Other Debt Service</b>	<b>ARRA Economic Stimulus Debt Service</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 52,295,430	\$ 116,940	\$ 19,691,313	\$ 40
Investments	348,383	-	-	-
Taxes receivable, net	19,315	-	-	-
Accounts receivable, net	321,013	-	-	-
Due from other funds:				
Budgetary funds	1,252,884	-	-	-
Internal funds	256,504	-	-	-
Due from other agencies	741,770	803,321	-	-
Inventory	1,015,576	-	-	-
Prepaid items	-	-	-	-
Total assets	<u>\$ 56,250,875</u>	<u>\$ 920,261</u>	<u>\$ 19,691,313</u>	<u>\$ 40</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Salaries, benefits, and payroll taxes payable	\$ 6,845,702	\$ 29,669	\$ -	\$ -
Payroll deductions and withholdings	1,772,822	(5,289)	-	-
Accounts payable	1,694,269	28,362	-	-
Construction contracts payable - retained percentage	-	-	-	-
Matured interest payable	-	-	-	-
Sales tax payable	220	-	-	-
Deposits payable	-	-	-	-
Due to other agencies	96	-	-	-
Due to other funds:				
Budgetary funds	80,551	866,517	-	-
Total liabilities	<u>10,393,660</u>	<u>919,259</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>				
Nonspendable				
Inventory	1,015,576	-	-	-
Restricted for:				
State required carryover programs	9,346,633	-	-	-
Debt service funds	-	-	19,691,313	40
Capital projects	-	-	-	-
Total restricted fund balance	<u>9,346,633</u>	<u>-</u>	<u>19,691,313</u>	<u>40</u>
Committed to:				
Contractual agreements	4,700,000	-	-	-
Assigned to:				
Special projects	14,395,889	1,002	-	-
Unassigned fund balance	16,399,117	-	-	-
Total fund balances	<u>45,857,215</u>	<u>1,002</u>	<u>19,691,313</u>	<u>40</u>
Total liabilities and fund balances	<u>\$ 56,250,875</u>	<u>\$ 920,261</u>	<u>\$ 19,691,313</u>	<u>\$ 40</u>

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

<b>Section 1011.14/ 1011.15 F.S. Loans</b>	<b>Other Capital Projects</b>	<b>ARRA Economic Stimulus Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 5,549,903	\$ 25,756,715	\$ 15,485,205	\$ 10,841,656	\$ 129,737,202
-	368,109	-	201,826	918,318
-	-	-	-	19,315
-	-	-	16,983	337,996
-	330,071	-	1,045,764	2,628,719
-	-	-	-	256,504
-	4,000,000	-	1,567,202	7,112,293
-	-	-	409,489	1,425,065
-	94,587	-	-	94,587
<u>\$ 5,549,903</u>	<u>\$ 30,549,482</u>	<u>\$ 15,485,205</u>	<u>\$ 14,082,920</u>	<u>\$ 142,529,999</u>
\$ -	\$ -	\$ -	\$ 480,740	\$ 7,356,111
-	-	-	100,789	1,868,322
2,158,260	2,385,249	176,414	509,057	6,951,611
-	761,447	8,626	118,179	888,252
-	-	-	3,000	3,000
-	-	-	-	220
-	-	-	181,830	181,830
-	-	-	-	96
-	329,212	-	1,351,748	2,628,028
<u>2,158,260</u>	<u>3,475,908</u>	<u>185,040</u>	<u>2,745,343</u>	<u>19,877,470</u>
-	-	-	409,489	1,425,065
-	-	-	-	9,346,633
-	-	-	1,067,810	20,759,163
3,391,643	27,073,574	15,300,165	8,470,823	54,236,205
<u>3,391,643</u>	<u>27,073,574</u>	<u>15,300,165</u>	<u>9,538,633</u>	<u>84,342,001</u>
-	-	-	-	4,700,000
-	-	-	1,389,455	15,786,346
-	-	-	-	16,399,117
<u>3,391,643</u>	<u>27,073,574</u>	<u>15,300,165</u>	<u>11,337,577</u>	<u>122,652,529</u>
<u>\$ 5,549,903</u>	<u>\$ 30,549,482</u>	<u>\$ 15,485,205</u>	<u>\$ 14,082,920</u>	<u>\$ 142,529,999</u>

Leon County District School Board

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

June 30, 2012

<b>Total fund balances - governmental funds</b>	\$ 122,652,529
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.	316,795,279
Debt issuance costs are treated as expenditures in the fund financial statements, but are reported as deferred charges and amortized over the life of the debt in the government-wide statements.	1,651,039
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(213,330,247)</u>
Total net assets - governmental activities	<u>\$ 227,768,600</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, 2012

	General	Federal Economic Stimulus	Other Debt Service	ARRA Economic Stimulus Debt Service	Section 1011.14/ 1011.15 F.S. Loans
<b>Revenues</b>					
Federal direct	\$ 233,620	\$ -	\$ 1,886,279	\$ 900,100	\$ -
Federal through state and local	57,928	2,958,648	-	-	-
State sources	119,400,878	-	-	-	-
Local sources:					
Property taxes levied for operational purposes	91,918,271	-	-	-	-
Property taxes levied for capital projects	-	-	-	-	-
Local sales taxes	-	-	-	-	-
Charges for service - food service	-	-	-	-	-
Other local revenue	11,540,782	-	1,116,572	1	6,682
Total local sources	103,459,053	-	1,116,572	1	6,682
Total revenues	223,151,479	2,958,648	3,002,851	900,101	6,682
<b>Expenditures</b>					
Current:					
Instruction	133,046,442	166,919	-	-	-
Pupil personnel services	8,062,264	-	-	-	-
Instructional media services	3,813,593	-	-	-	-
Instruction and curriculum development services	8,033,660	616,694	-	-	-
Instructional staff training services	208,899	80,278	-	-	-
Instruction related technology	2,186,096	-	-	-	-
School board	812,790	-	-	-	-
General administration	1,303,761	124,279	-	-	-
School administration	18,055,653	-	-	-	-
Facilities acquisition and construction	1,280,080	17,852	-	-	-
Fiscal services	2,165,947	-	-	-	-
Food services	-	-	-	-	-
Central services	5,638,884	77,079	-	-	-
Pupil transportation services	10,776,704	-	-	-	-
Operation of plant	19,207,931	-	-	-	-
Maintenance of plant	7,539,524	-	-	-	-
Administrative technology services	4,420,736	133,681	-	-	-
Community services	4,395,809	-	-	-	-
Debt service:					
Retirement of principal	-	-	10,942,878	1,093,947	-
Interest	-	-	5,962,309	900,100	-
Dues, fees, and issuance costs	-	-	31,764	1,750	-
Capital outlay:					
Facilities acquisition and construction	-	-	-	-	2,179,839
Other capital outlay	947,556	1,741,866	-	-	-
Total expenditures	231,896,329	2,958,648	16,936,951	1,995,797	2,179,839
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(8,744,850)	-	(13,934,100)	(1,095,696)	(2,173,157)
<b>Other financing sources (uses)</b>					
Loans incurred	-	-	-	-	5,564,800
Transfers in	4,234,270	-	18,210,041	1,095,697	-
Transfers out	(40,242)	-	-	(5,191)	-
Total other financing sources (uses)	4,194,028	-	18,210,041	1,090,506	5,564,800
Net change in fund balances	(4,550,822)	-	4,275,941	(5,190)	3,391,643
Fund balances, July 1, 2011	50,212,000	-	15,415,372	5,230	-
Prior period adjustment	196,037	1,002	-	-	-
Fund balances, June 30, 2012	\$ 45,857,215	\$ 1,002	\$ 19,691,313	\$ 40	\$ 3,391,643

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

<b>Other Capital Projects</b>	<b>ARRA Economic Stimulus Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 2,256,963	\$ 5,276,962
-	-	29,415,594	32,432,170
-	-	2,212,164	121,613,042
-	-	-	91,918,271
-	-	21,943,070	21,943,070
18,870,686	-	-	18,870,686
-	-	2,979,987	2,979,987
<u>47,876</u>	<u>2,212</u>	<u>224,838</u>	<u>12,938,963</u>
<u>18,918,562</u>	<u>2,212</u>	<u>25,147,895</u>	<u>148,650,977</u>
<u>18,918,562</u>	<u>2,212</u>	<u>59,032,616</u>	<u>307,973,151</u>
-	-	9,864,103	143,077,464
-	-	1,624,960	9,687,224
-	-	211	3,813,804
-	-	5,076,351	13,726,705
-	-	1,724,082	2,013,259
-	-	25,379	2,211,475
-	-	-	812,790
-	-	884,835	2,312,875
-	-	38,197	18,093,850
-	-	217,925	1,515,857
-	-	-	2,165,947
-	-	11,276,428	11,276,428
-	-	192,269	5,908,232
-	-	441,073	11,217,777
-	-	11,582	19,219,513
-	-	2,326	7,541,850
-	-	-	4,554,417
-	-	2,208,950	6,604,759
-	-	1,005,000	13,041,825
-	-	374,334	7,236,743
-	-	51,216	84,730
26,733,736	3,081,448	7,153,558	39,148,581
-	-	770,603	3,460,025
<u>26,733,736</u>	<u>3,081,448</u>	<u>42,943,382</u>	<u>328,726,130</u>
(7,815,174)	(3,079,236)	16,089,234	(20,752,979)
-	-	35,200	5,600,000
-	5,191	74,767	23,619,966
<u>(7,791,212)</u>	-	<u>(15,783,321)</u>	<u>(23,619,966)</u>
<u>(7,791,212)</u>	<u>5,191</u>	<u>(15,673,354)</u>	<u>5,600,000</u>
(15,606,386)	(3,074,045)	415,880	(15,152,979)
42,679,960	18,374,210	10,917,635	137,604,407
-	-	4,062	201,101
<u>\$ 27,073,574</u>	<u>\$ 15,300,165</u>	<u>\$ 11,337,577</u>	<u>\$ 122,652,529</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, 2012

<b>Net change in fund balances - governmental funds</b>	<b>\$ (15,152,979)</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.	(4,727,598)
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.	(37,522)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt 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.	7,442,000
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 earned in the current period in excess of the amount used.	(879,387)
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.	4,186
Other post employment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other post employment benefits liability for the current period.	(1,183,938)
Change in value on investments with fiscal agents is for future payment of bonds. This income is reflected in the statement of activities.	<u>435,693</u>
Change in net assets of governmental activities	<u><u>\$ (14,099,545)</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, 2012

	<b>Permitting Office Enterprise Funds</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 79,867
Due from other funds - budgetary	-
Total assets	<u>\$ 79,867</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 161
Due to other funds - budgetary	690
Total liabilities	<u>851</u>
<b>Net assets</b>	
Unrestricted	<u>79,016</u>
Total net assets	<u>79,016</u>
Total liabilities and net assets	<u>\$ 79,867</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, 2012

	<b>Permitting Office Enterprise Funds</b>
<b>Operating Revenues</b>	
Charges for services	\$ 60,897
Total operating revenues	<u>60,897</u>
<b>Operating Expenses</b>	
Purchased services	32,001
Materials and supplies	855
Capital outlay	407
Other expenses	300
Total operating expenses	<u>33,563</u>
Operating income	27,334
<b>Nonoperating revenues</b>	
Interest revenue	112
Total nonoperating revenues	<u>112</u>
<b>Change in net assets</b>	27,446
Net assets - July 1, 2011	51,570
Net assets - June 30, 2012	<u>\$ 79,016</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, 2012

	<b>Permitting Office Enterprise Funds</b>
	<u>                    </u>
<b>Cash flows from operating activities</b>	
Receipts from customers and users	\$ 61,587
Payments to suppliers	(38,327)
Payments for interfund services used	-
Net cash provided by operating activities	<u>23,260</u>
 <b>Cash flows from noncapital financing activities</b>	
Transfers to other funds	-
Net cash used by noncapital financing activities	<u>-</u>
 <b>Cash flows from investing activities</b>	
Interest and dividends received	112
Net cash provided by investing activities	<u>112</u>
 <b>Net increase in cash and cash equivalents</b>	23,372
Cash and cash equivalents - July 1, 2011	56,495
Cash and cash equivalents - June 30, 2012	<u>\$ 79,867</u>
 <b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>	
Operating income	\$ 27,334
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Change in assets and liabilities:	
Increase in due from other funds - budgetary	690
Decrease in accounts payable	(4,764)
Total adjustments	<u>(4,074)</u>
Net cash provided (used) by operating activities	<u>\$ 23,260</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, 2012

	<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	\$ 56,782	\$ 10,395,904	\$ 3,776,688
Investments	-	15,647	-
Accounts receivable, net	-	52,775	-
Due from other funds - budgetary	-	-	-
Total assets	<u>\$ 56,782</u>	<u>\$ 10,464,326</u>	<u>\$ 3,776,688</u>
<b>Liabilities</b>			
Salaries, benefits, and payroll taxes payable	\$ -	\$ 524,472	-
Payroll deductions and withholdings	-	6,416,526	-
Due to other funds - budgetary	-	-	256,504
Internal accounts payable	-	-	3,520,184
Total liabilities	<u>-</u>	<u>6,940,998</u>	<u>3,776,688</u>
<b>Net assets</b>			
Assets held in trust for employee benefits	-	3,523,328	-
Assets held in trust for scholarships and other purposes	56,782	-	-
Total net assets	<u>56,782</u>	<u>3,523,328</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 56,782</u>	<u>\$ 10,464,326</u>	<u>\$ 3,776,688</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, 2012

	<b>Frank Stoutamire Private-Purpose Trust Funds</b>	<b>Voluntary Employee Benefits Trust Funds</b>
	<u>                    </u>	<u>                    </u>
<b>Additions</b>		
Contributions:		
Employer	\$ -	\$ 18,591,376
Plan members	-	14,238,973
Investment earnings:		
Interest	132	16,821
Total investment earnings	<u>132</u>	<u>16,821</u>
Less investment expense	-	-
Net investment earnings	<u>132</u>	<u>16,821</u>
Total additions	<u>132</u>	<u>32,847,170</u>
<b>Deductions</b>		
Purchased services	-	12,675
Other expenses	-	33,142,500
Total deductions	<u>-</u>	<u>33,155,175</u>
<b>Change in net assets</b>	132	(308,005)
Net assets - July 1, 2011	<u>56,650</u>	<u>3,831,333</u>
Net assets - June 30, 2012	<u>\$ 56,782</u>	<u>\$ 3,523,328</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, 2012

### **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 District's reporting entity:

Blended Component Units - The District's employee group health, life and dental insurance program, as well as its dependent care and medical expense reimbursement program, are administered through the Leon County District School Board Voluntary Employee Benefits Trust (VEBT). Due to the substantive economic relationship between the 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 6. Due to the substantive economic relationship between the District and the Corporation, the financial activities of the Corporation are included in the accompanying general purpose financial statements, and separate financial statements for the Corporation are not published.

# Leon County District School Board

## Notes to Financial Statements

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

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.; 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, 2012, 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., Imagine Leon County, LLC and STARS Educational Services, Inc. (the 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, 2012, 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 District 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 operating purposes.

Special Revenue – Federal Economic Stimulus Programs Fund - to account for the financial resources generated by the passage of the American Recovery and Reinvestment Act of 2009 (ARRA) and other Federal stimulus programs.

Debt Service - ARRA Economic Stimulus Fund – to account for the financial resources generated by the issuance of federally subsidized debt, and to account for the accumulation of resources for, and the payment of, debt principal and interest.

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, District revenue bonds and Certificates of Participation..

Capital Projects - Section 1011.14/1011.15, F.S. Loans – to account for short-term loans for capital purchases.

Capital Projects - ARRA Economic Stimulus Fund – to account for the financial resources generated by Qualified School Construction Bonds to be used for new construction.

# Leon County District School Board

## Notes to Financial Statements

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

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 program funds, to be used for educational capital outlay needs, including new construction, renovation and remodeling projects.

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measureable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

# Leon County District School Board

## Notes to Financial Statements

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

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.

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

The Charter Schools, 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 accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized the obligation is incurred.

#### **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, 2012, 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 0.83481105 at June 30, 2012. 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 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 2011 tax levy on September 6, 2011. 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 presented in a subsequent note.

#### **School Capital Outlay Surtax**

The citizens of Leon County, on November 5, 2002, approved a .05 percent school capital outlay sales surtax authorized under Section 212.055(6), Florida Statutes, for a period of ten years, beginning January 1, 2003. Subsequent to year end, on November 6, 2012, the citizens of Leon County approved the extension of the capital outlay sales surtax for another ten years, beginning January 1, 2013. 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, 2012, 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	5.73 Year Average	\$ 767,085
Debt Service Accounts	6 Months	166,880
United States Treasury Securities (1)	November 2013- April 2029	3,682,190
Fidelity Institutional Money Market Fund – Federal Government Portfolio-Class 1 (2)	44 Day Average	8,305,169
Fidelity Institutional Money Market Fund – Treasury Portfolio – Class III (3)	36 Day Average	38,387,257
Less cash held with fiscal agent		(43,768,999)
Total Investments		<u>\$ 7,539,582</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 6). (2) Part of this investment is held under a trust agreement in connection with the sinking requirements related to the Series 2010-QZAB Certificates of Participation and Series 2010-QSCB Certificates of Participation (See Note 6). (3) This amount consists of proceeds from the Series 2010-QZAB Certificates of Participation and Series 2010-QSCB Certificates of Participation that has not been used for the specified capital project purposes.

# Leon County District School Board

## Notes to Financial Statements

### 3. INVESTMENTS (continued)

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. 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 Series 2004-QZAB and 2010 QZAB Certificates of Participation are exceptions to this policy.

The maturity of Fund B 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, 2012. The WAL, based on expected future cash flows of Fund B at June 30, 2012, is estimated at 5.73 years. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL.

#### **Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Section 218.415(17), Florida Statutes, authorizes the District to invest in the SBA Local Government Surplus Funds Trust Fund Investment Pool, known as 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 District's investments in 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

### 3. INVESTMENTS (continued)

The District's investments in the Fidelity Institutional Money Market Fund – Federal Government Portfolio – Class I are rated AAA by Moody's Investors Service and AAAM by Standard & Poor's.

The District's investment in the Fidelity Institutional Money Market Fund – Treasury Portfolio – Class III are rated AAA by Moody's Investors Service and AAAM by Standard & Poor's.

#### **Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security, 2) if in book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.

Of the District's \$3,682,190 investment in U.S. Treasury securities, all of the underlying securities are held by the investment's counterparty, not in the name of the District.

# 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, 2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2012</b>
Non-depreciable capital assets:				
Land	\$ 15,590,442	\$ –	\$ –	\$ 15,590,442
Construction in progress	3,989,971	7,444,669	77,999	11,356,641
Total non-depreciable capital assets	19,580,413	7,444,669	77,999	26,947,083
Depreciable capital assets:				
Improvements other than buildings	34,769,520	439,565	–	35,209,085
Buildings and fixed equipment	422,590,188	–	–	422,590,188
Furniture, fixtures, and equipment	53,337,694	4,983,901	4,873,113	53,448,482
Motor vehicles	22,593,070	35,454	266,545	22,361,979
Audio-visual materials	3,813,565	213,682	–	4,027,247
Computer software	1,301,387	9,889	466,011	845,265
Total depreciable capital assets	538,405,424	5,682,491	5,605,669	538,482,246
Less accumulated depreciation:				
Improvements other than buildings	23,405,855	1,138,377	–	24,544,232
Buildings and fixed equipment	153,753,217	9,851,516	–	163,604,733
Furniture, fixtures, and equipment	41,126,632	4,707,439	4,839,854	40,994,217
Motor vehicles	14,144,562	1,673,781	262,283	15,556,060
Audio-visual materials	2,781,545	396,532	–	3,178,077
Computer software	1,213,628	9,114	466,011	756,731
Total accumulated depreciation	236,425,439	17,776,759	5,568,148	248,634,050
Net depreciable capital assets	301,979,985	(12,094,268)	37,521	289,848,196
Governmental activities capital assets	<u>\$321,560,398</u>	<u>\$ (4,649,599)</u>	<u>\$ 115,520</u>	<u>\$ 316,795,279</u>

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. NOTES PAYABLE

The District entered into a financing arrangement on November 9, 2011 under the authority of F.S. 1011.14, Obligations for a period of 1 year. This obligation is allowed in anticipation of budgeted revenues accruing on a current basis without pledging the credit of the district or requiring future levy of taxes. These obligations may be extended from year to year for a period not to exceed 4 years, or for a total of 5 years, including the initial year of the loan. This obligation was undertaken to purchase thirty compressed natural gas school buses.

# Leon County District School Board

## Notes to Financial Statements

### 5. NOTES PAYABLE (continued)

The following table is a summary of the future principal and interest payments by year for the Revenue Anticipation Notes 2011:

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 1,198,775	\$ 1,120,000	\$ 78,775
2014	1,181,270	1,120,000	61,270
2015	1,163,764	1,120,000	43,764
2016	1,146,258	1,120,000	26,258
2017	1,128,753	1,120,000	8,753
Total	<u>\$ 5,818,820</u>	<u>\$ 5,600,000</u>	<u>\$ 218,820</u>

### 6. 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.

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 2008A-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.

# Leon County District School Board

## Notes to Financial Statements

### **6. CERTIFICATES OF PARTICIPATION (continued)**

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

On September 24, 2010, the master financing arrangement was amended and the Corporation issued COPs, Series 2010 Qualified School Construction Bonds (QSCBs), in the amount of \$18,597,000. The QSCBs were issued to secure financing of improvements to be made at four District schools.

On December 28, 2010, the master financing arrangement was amended and the Corporation issued COPs, Series 2010 Qualified Zone Academy Bonds (QZABs), in the amount of \$33,209,140. These QZABs were issued to secure financing of improvements to be made at ten 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; 15 years commencing on July 1, 2012 (Series 2010 QSCBs); and 18 years commencing on December 1, 2011 (Series 2010 QZABs). 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.

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); new construction at Gilchrist Elementary, Killlearn Lakes Elementary, Kate Sullivan Elementary and Gretchen Everhart (Series 2010 QSCB); and renovations at Astoria Park Elementary, Canopy Oaks Elementary, Woodville Elementary, Fairview Middle School, Raa Middle School and Rickards High School (Series 2010 QZAB).

Leon County District School Board

Notes to Financial Statements

**6. CERTIFICATES OF PARTICIPATION (continued)**

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 2008A-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 lease payments for the Series 2010 QSCBs are payable annually on July 1 at a fixed rate of 4.84 percent. The lease payments for the Series 2010 QZABs are payable annually on December 1 at a fixed interest rate of 5.68 percent. Both of the Series 2010 QSCBs and the Series 2010 QZABs receive a Federal subsidy at the same rate of interest as the bond, resulting in a net zero percent cost to the District.

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, 2012:

<b>QZAB – Series 2004</b>			
<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>

<b>QZAB – Series 2008A</b>			
<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 319,114	\$ 312,000	\$ 7,114
2014	318,521	312,000	6,521
2015	317,928	312,000	5,928
2016	317,335	312,000	5,335
2017	316,742	312,000	4,742
2018-2022	1,574,820	1,560,000	14,820
2023-2024	625,778	624,000	1,778
Total QZAB 2008A	<u>\$ 3,790,238</u>	<u>\$ 3,744,000</u>	<u>\$ 46,238</u>

Leon County District School Board

Notes to Financial Statements

**6. CERTIFICATES OF PARTICIPATION (continued)**

**QZAB – Series 2008B**

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 1,204,000	\$ 1,000,000	\$ 204,000
2014	1,187,000	1,000,000	187,000
2015	1,170,000	1,000,000	170,000
2016	1,153,000	1,000,000	153,000
2017	1,136,000	1,000,000	136,000
2018-2022	5,425,000	5,000,000	425,000
2023-2024	2,051,000	2,000,000	51,000
<b>Total QZAB 2008B</b>	<b>\$ 13,326,000</b>	<b>\$ 12,000,000</b>	<b>\$ 1,326,000</b>

**QZAB – Series 2010**

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2029	\$ 33,209,140	\$ 33,209,140	\$ –
<b>Total</b>	<b>\$ 33,209,140</b>	<b>\$ 33,209,140</b>	<b>\$ –</b>

**QSCB – Series 2010**

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2029	\$ 18,597,100	\$ 18,597,100	\$ –
<b>Total</b>	<b>\$ 18,597,100</b>	<b>\$ 18,597,100</b>	<b>\$ –</b>

**COPs Series 2005 – Refunding**

<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2013	\$ 2,374,300	\$ 1,570,000	\$ 804,300
2014	2,376,762	1,635,000	741,762
2015	2,370,825	1,695,000	675,825
2016	2,375,775	1,765,000	610,775
2017	2,373,288	1,830,000	543,288
2018-2022	11,821,937	10,285,000	1,536,937
2023-2027	2,357,644	2,310,000	47,644
<b>Total COPs Series 2005</b>	<b>\$ 26,050,531</b>	<b>\$ 21,090,000</b>	<b>\$ 4,960,531</b>

Leon County District School Board

Notes to Financial Statements

**6. CERTIFICATES OF PARTICIPATION (continued)**

<b>COPs Series 2006</b>			
<b>Fiscal Year Ending June 30</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
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	4,562,949	2,395,000	2,167,949
2017	4,554,999	2,490,000	2,064,999
2018-2022	22,750,610	14,245,000	8,505,610
2023-2027	32,026,420	28,335,000	3,691,420
Total COPs Series 2006	<u>\$ 77,607,079</u>	<u>\$ 54,125,000</u>	<u>\$ 23,482,079</u>

Total minimum lease payments	<u>\$ 175,893,088</u>	\$ 146,078,240	<u>\$ 29,814,848</u>
Add: unamortized premium		<u>782,679</u>	
Total certificates of participation		<u>\$ 146,860,919</u>	

**7. BONDS PAYABLE**

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

<b>Bond Type</b>	<b>Amount Outstanding</b>	<b>Interest Rate (Percent)</b>	<b>Annual Maturity to</b>
<b>State school bonds:</b>			
Series 2005A	\$ 3,345,000	4.00 – 4.75	2018
Series 2005B	530,000	4.10 – 5.25	2021
Series 2009A (New Money)	885,000	3.00 – 5.00	2030
Series 2009A (Refunding)	230,000	4.00 – 5.00	2020
Series 2010A	730,000	4.00 – 5.00	2021
<b>District revenue bonds:</b>			
Series 1999 (refunding)	310,000	5.19	2014
<b>Sales tax revenue bonds:</b>			
Series 2003	<u>7,485,000</u>	1.50 – 5.25	2013
Total bonds payable	13,515,000		
Add unamortized bond premium	506,188		
Total bonds payable	<u>\$ 14,021,188</u>		

# Leon County District School Board

## Notes to Financial Statements

### 7. BONDS PAYABLE (continued)

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.

#### 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.

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
<b>State school bonds</b>			
2013	\$ 1,183,238	\$ 905,000	\$ 278,238
2014	1,188,487	995,000	233,487
2015	1,190,738	1,005,000	185,738
2016	1,205,487	1,070,000	135,487
2017	546,988	465,000	81,988
2018-2022	974,387	775,000	199,387
2023-2027	416,288	330,000	86,288
2028-2029	229,025	215,000	14,025
Total state school bonds	<u>\$ 6,934,638</u>	<u>\$ 5,720,000</u>	<u>\$ 1,214,638</u>

Leon County District School Board

Notes to Financial Statements

**7. BONDS PAYABLE (continued)**

**District Revenue 1999 Bonds (Refunding)**

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
<b>District revenue 1999 bonds (refunding)</b>			
2013	\$ 162,197	\$ 150,000	\$ 12,197
2014	164,152	160,000	4,152
Total District revenue bonds	<u>\$ 326,349</u>	<u>\$ 310,000</u>	<u>\$ 16,349</u>
<b>District sales tax revenue bonds, Series 2003</b>			
2013	\$ 7,636,481	\$ 7,485,000	\$ 151,481
Total revenue bonds	<u>\$ 7,636,481</u>	<u>\$ 7,485,000</u>	<u>\$ 151,481</u>

**8. 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, 2012 are as follows:

<u>Bond Issue</u>	<u>Defeased Amount</u>
District revenue bonds, series 1985	\$ 355,000
COPS, series 1997	20,485,000
Total	<u>\$ 20,840,000</u>

Leon County District School Board

Notes to Financial Statements

**9. CHANGES IN LONG-TERM LIABILITIES**

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

<u>Description</u>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>	<u>Due in One Year</u>
Governmental activities					
Estimated insurance					
claims payable	\$ 6,125,801	\$ 1,347,517	\$ 1,351,703	<b>\$ 6,121,615</b>	\$ 1,242,247
Bonds payable	22,597,720	–	8,576,532	<b>14,021,188</b>	8,540,000
Certificates of					
participation payable	151,806,794	–	4,945,875	<b>146,860,919</b>	5,022,000
Note payable	–	5,600,000	–	<b>5,600,000</b>	1,120,000
Compensated absences					
payable	27,291,670	9,563,710	8,684,323	<b>28,171,057</b>	3,300,000
Other post employee					
retirement benefits	11,371,530	2,806,007	1,622,069	<b>12,555,468</b>	–
Total	<u>\$ 219,193,515</u>	<u>\$ 19,317,234</u>	<u>\$25,180,502</u>	<u><b>\$ 213,330,247</b></u>	<u>\$ 19,224,247</u>

**10. INTERFUND RECEIVABLES, PAYABLES & TRANSFERS**

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	\$ 4,234,270	\$ 40,242
ARRA Economic Stimulus Debt Service	1,095,697	5,191
Other Debt Service	18,210,041	–
ARRA Economic Stimulus Capital Projects	5,191	–
Other Capital Projects	–	7,791,212
Nonmajor governmental	74,767	15,783,321
Total	<u>\$ 23,619,966</u>	<u>\$ 23,619,966</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.

# Leon County District School Board

## Notes to Financial Statements

### 10. INTERFUND RECEIVABLES, PAYABLES & TRANSFERS (continued)

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 1,509,387	\$ 80,552
Federal Economic Stimulus	–	866,517
Other capital projects	330,071	144
ARRA Capital Projects	–	329,068
Nonmajor governmental	1,045,764	1,351,748
Proprietary	–	690
Agency	–	256,503
Total	\$ 2,885,222	\$ 2,885,222

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.

### 11. FUND BALANCE REPORTING

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

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

#### **Nonspendable**

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

#### **Restricted**

The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The District classifies most of its fund balances other than General Fund, as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.

# Leon County District School Board

## Notes to Financial Statements

### 11. FUND BALANCE REPORTING (continued)

#### Committed

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the Board). These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to previously commit the amounts. The District classifies amounts for miscellaneous Board-approved contracts as committed fund balance as of June 30, 2012.

#### Assigned

The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Superintendent and not included in other categories. The assigned fund balance includes \$1,500,000 replacing Education Jobs funding, \$3,691,673 for critical operating millage, \$1,831,179 for medical reimbursement programs, \$1,161,641 assigned for E-Rate programs and \$6,211,396 assigned for other programs.

### 12. SCHEDULE OF STATE REVENUE SOURCES

<u>Sources</u>	<u>Amount</u>
Florida Education Finance Program	\$ 64,136,830
Categorical Educational Programs:	
Class size reduction	35,598,742
Transportation	5,100,211
Instructional materials	2,482,408
Florida School Recognition	1,202,404
Florida Comprehensive Assessment Test:	
Development grant	1,199,609
Discretionary Lottery funds	103,950
Gross receipt tax (Public Education Capital Outlay)	408,621
Motor vehicle license tax (CO and debt service)	1,348,360
Racing commission funds	223,250
Food service supplement	154,592
Other state	9,654,065
Total	<u>\$ 121,613,042</u>

# Leon County District School Board

## Notes to Financial Statements

### 13. PROPERTY TAX

The following is a summary of millages and taxes levied on the 2011 tax roll for the 2011-2012 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted school tax:		
Required local effort	5.535	\$ 83,875,300
Basic discretionary local effort	0.748	11,334,910
<u>Capital Project Funds</u>		
Nonvoted tax:		
Local capital improvements	1.50	22,730,434
Total	<u>8.034</u>	<u>\$ 117,940,644</u>

### 14. 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 plan referred to as the Pension Plan, which includes Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees initially enrolled in the Pension Plan prior to July 1, 2011, will vest with six years of creditable service and employees initially enrolled after July 1, 2011, will vest with eight years of creditable service. Vested members initially enrolled in the Pension Plan prior to July 1, 2011, 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. Vested members initially enrolled in the Pension Plan after July 1, 2011, are eligible for normal retirement benefits at age 65, or at any age after 33 years of service, which may include up to 4 years of credit for military service.

The Pension 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 Pension Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

Leon County District School Board

Notes to Financial Statements

**14. FLORIDA RETIREMENT SYSTEM (continued)**

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Pension 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. 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 the PEORP in lieu of the Pension Plan. District employees participating in DROP are not eligible to participate in the PEORP. The PEORP is a defined contribution plan in which employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of the investment funds. The PEORP directs contributions to individual member accounts and the contributions and account balance are allocated among various investment funds. (Participant contributions are not allowed). PEORP benefits are payable in a lump sum benefit rather than a monthly lifetime benefit. The vesting requirement is one year of creditable service.

**FRS Retirement Contribution Rates**

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2011-12 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	3.00	4.91
Florida Retirement System, County Elected Officers	3.00	11.14
Florida Retirement System, Special Risk	3.00	14.10
Deferred Retirement Option Program – Applicable to members from all of the above classes of Plan	N/A	4.42
Florida Retirement System, Reemployed Retiree (initially reemployed prior to July 1, 2010 working towards a second retirement benefit)	3.00	4.91
Florida Retirement System, Reemployed Retiree (initially reemployed on or after July 1, 2010 not working towards a second retirement benefit)	N/A	1.60

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

# Leon County District School Board

## Notes to Financial Statements

### **14. FLORIDA RETIREMENT SYSTEM (continued)**

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions (including employee contributions) for the fiscal years ended June 30, 2010, June 30, 2011 and June 30, 2012 are \$16,378,751, \$17,439,405 and \$ 8,083,751, respectively, which were equal to the required contributions for each fiscal year. There were 511 PEORP participants during the 2011-2012 fiscal year. Required contributions made to PEORP totaled \$1,291,157. Of these contributions, \$490,158 was contributed by the participants and \$800,999 was contributed by the District.

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.

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

### **15. 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 \$16,428 during the 2011-2012 fiscal year for retirement incentive bonuses.

### **16. 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

# Leon County District School Board

## Notes to Financial Statements

### 16. POSTEMPLOYMENT HEALTHCARE BENEFITS (continued)

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. For the 2011-2012 fiscal year, 360 retirees received post employment healthcare benefits. The District's contribution to the OPEB obligation is the implicit subsidy for the retirees, which was \$1,622,069. This amount was comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, reinsurance premiums, and net of retiree contributions totaling \$2,207,343, which represents 1.9 percent of covered payroll.

**Annual OPEB Cost and Net OPEB Obligation** The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with accounting standards. The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the District's net OPEB obligation for postemployment healthcare benefits:

<u>Description</u>	<u>Amount</u>
Normal cost (service cost for one year)	\$ 1,344,457
Amortization of unfunded actuarial accrued liability	1,733,082
Interest on normal cost and amortization	—
Annual required contribution	3,077,539
Interest on net OPEB obligation	426,432
Adjustment to annual required contribution	(697,964)
Annual OPEB cost (expense)	2,806,007
Contribution toward the OPEB cost	(1,622,069)
Increase in net OPEB obligation	1,183,938
Net OPEB obligation, beginning of year	11,371,530
Net OPEB obligation, end of year	\$ 12,555,468

# Leon County District School Board

## Notes to Financial Statements

### 16. POSTEMPLOYMENT HEALTHCARE BENEFITS (continued)

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, 2012 was as follows:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Amount</u> <u>Contributed</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
June 30, 2010	\$ 3,232,059	\$ 2,030,145	62.81%	\$ 10,123,348
June 30, 2011	\$ 3,380,508	\$ 2,132,326	63.08%	\$ 11,371,530
June 30, 2012	\$ 2,806,007	\$ 1,622,069	57.81%	\$ 12,555,468

**Funded Status and Funding Progress** As of October 1, 2011 the actuarial valuation date, the actuarial accrued liability for benefits was \$27,721,142, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$27,721,142, and a funded ratio of zero percent. The covered payroll (annual payroll of active participating employees) was \$114,207,168 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 24.27 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**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, 2011, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2012, and the District's 2011-12 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.

# Leon County District School Board

## Notes to Financial Statements

### 16. POSTEMPLOYMENT HEALTHCARE BENEFITS (continued)

Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.75 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 8.5 percent for the 2011-12 fiscal year, reduced to an ultimate rate of 5 percent after 8 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, was 20 years.

### 17. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

#### Encumbrances

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

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

<u>Funds</u>	<u>Amount Encumbered</u>
General	\$ 1,104,097
Other Capital Projects	10,961,842
ARRA Economic Stimulus Capital Projects	10,090,205
Nonmajor governmental	5,845,854
Total	<u>\$ 28,001,998</u>

# Leon County District School Board

## Notes to Financial Statements

### 17. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (continued)

#### Construction Contracts

Encumbrances include the following major construction contract commitments at fiscal year-end.

<b>Project</b>	<b>Contract Amount</b>	<b>Completed to Date</b>	<b>Balance Committed</b>
Astoria Park Elementary –HVAC	\$ 1,997,000	\$ 1,265,796	\$ 731,204
Ft. Braden K-8 Sch-Renovations	1,600,669	758,279	842,390
Gilchrist Elem Sch-New Const	1,999,782	41,225	1,958,557
Gretchen Everhart-New Const.	1,989,320	1,766,811	222,509
Kate Sullivan Elem Sch-New Const	1,998,481	55,377	1,943,104
Leon High School-Remodeling	517,574	465,817	51,757
Moore Elem Sch-Renovations	1,947,776	1,105,263	842,513
Oakridge Elem-Renovations, Remodeling, HVAC	1,943,048	1,083,595	859,453
Raa Middle Sch-Renovations	1,443,525	953,648	489,877
Rickards High Sch-HVAC	1,999,999	630,336	1,369,663
Rickards High Sch-Renovations	1,799,931	660,734	1,139,197
Sabal Palm Elem Remodeling/HVAC	1,782,950	740,384	1,042,566
Springwood Elem-Remodeling	137,058	27,939	109,119
Transportation-New Const.	1,584,726	1,568,116	16,610
<b>Total</b>	<b>\$ 22,741,839</b>	<b>\$ 11,123,320</b>	<b>\$ 11,618,519</b>

#### Potential liabilities resulting from litigation

The District is a defendant in various lawsuits arising from the normal course of operations. The outcome of these lawsuits is not presently determinable.

### 18. 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.

# Leon County District School Board

## Notes to Financial Statements

### 18. RISK MANAGEMENT PROGRAMS (continued)

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 \$6,121,615 was actuarially determined to cover estimated incurred but not reported insurance claims payable at June 30, 2012.

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>
2010 – 2011	\$ 7,792,736	\$ (405,966)	\$ 1,260,969	\$ 6,125,801
2011 – 2012	\$ 6,125,801	\$ 1,347,517	\$ 1,351,703	\$ 6,121,615

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.

### 19. PRIOR PERIOD ADJUSTMENT

There is a prior period adjustment of \$201,101 to adjust fund balance to actual for insurance payables that were recorded at June 30, 2011, but should have been reversed in prior years. This has been recorded as a separate line on the government-wide Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.

## 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, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Federal direct	\$ 231,688	\$ 233,620	\$ 233,620	\$ -
Federal through state	50,000	57,928	57,928	-
State sources	120,717,383	119,400,878	119,400,878	-
Local sources:				
Property taxes levied for operational purposes	92,689,201	91,918,271	91,918,271	-
Other local revenue	7,613,282	11,540,782	11,540,782	-
Total local sources	<u>100,302,483</u>	<u>103,459,053</u>	<u>103,459,053</u>	<u>-</u>
<b>Total revenues</b>	<u>221,301,554</u>	<u>223,151,479</u>	<u>223,151,479</u>	<u>-</u>
<b>Expenditures</b>				
Current:				
Instruction	158,501,280	153,731,822	133,046,442	20,685,380
Pupil personnel services	6,832,694	8,383,348	8,062,264	321,084
Instructional media services	3,900,790	3,987,489	3,813,593	173,896
Instruction and curriculum development services	7,815,220	10,940,375	8,033,660	2,906,715
Instructional staff training services	941,422	1,028,087	208,899	819,188
Instruction related technology	2,162,262	2,535,648	2,186,096	349,552
School board	1,090,140	1,060,335	812,790	247,545
General administration	1,744,150	1,652,973	1,303,761	349,212
School administration	18,467,105	19,275,513	18,055,653	1,219,860
Facilities acquisition and construction	1,716,949	3,103,342	1,280,080	1,823,262
Fiscal services	1,850,443	2,197,074	2,165,947	31,127
Central services	8,911,112	8,224,199	5,638,884	2,585,315
Pupil transportation	11,400,584	11,617,363	10,776,704	840,659
Operation of plant	23,841,842	23,681,800	19,207,931	4,473,869
Maintenance of plant	8,150,855	7,862,847	7,539,524	323,323
Administrative technology services	4,571,845	4,940,811	4,420,736	520,075
Community services	6,312,051	6,635,661	4,395,809	2,239,852
Capital outlay:				
Other capital outlay	-	-	947,556	(947,556)
<b>Total expenditures</b>	<u>268,210,744</u>	<u>270,858,687</u>	<u>231,896,329</u>	<u>38,962,358</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(46,909,190)	(47,707,208)	(8,744,850)	38,962,358
<b>Other financing sources (uses)</b>				
Transfers in	3,921,356	4,234,270	4,234,270	-
Transfers out	-	(45,813)	(40,242)	5,571
<b>Total other financing sources (uses)</b>	<u>3,921,356</u>	<u>4,188,457</u>	<u>4,194,028</u>	<u>5,571</u>
<b>Net change in fund balances</b>	(42,987,834)	(43,518,751)	(4,550,822)	38,967,929
Fund balances - July 1, 2011	50,212,000	50,212,000	50,212,000	-
Prior period adjustment	-	-	196,037	196,037
Fund balances - June 30, 2012	<u>\$ 7,224,166</u>	<u>\$ 6,693,249</u>	<u>\$ 45,857,215</u>	<u>\$ 39,163,966</u>

See report of independent auditors.

Leon County District School Board  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual  
Federal Economic Stimulus  
For the Fiscal Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Federal through state and local	\$ 2,258,944	\$ 4,575,712	\$ 2,958,648	\$ (1,617,064)
<b>Total revenues</b>	<u>2,258,944</u>	<u>4,575,712</u>	<u>2,958,648</u>	<u>(1,617,064)</u>
<b>Expenditures</b>				
Current:				
Instruction	186,061	647,225	166,919	480,306
Pupil personnel services	2,987	-	-	-
Instruction and curriculum development services	676,215	889,362	616,694	272,668
Instructional staff training services	155,765	387,915	80,278	307,637
General administration	58,489	181,336	124,279	57,057
Facilities acquisition and construction	-	128,972	17,852	111,120
Central services	126,074	112,175	77,079	35,096
Operation of plant	625	3,500	-	3,500
Administrative technology services	62,500	439,508	133,681	305,827
Other capital outlay	990,228	1,785,719	1,741,866	43,853
<b>Total expenditures</b>	<u>2,258,944</u>	<u>4,575,712</u>	<u>2,958,648</u>	<u>1,617,064</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, 2011	-	-	-	-
Prior period adjustment	-	-	1,002	1,002
Fund balances - June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,002</u>	<u>\$ 1,002</u>

See report of independent auditors.

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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 6, 2013. 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 School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective 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 March 6, 2013.

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

 Thomas Howell Ferguson P.A.

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

March 6, 2013

Independent Auditor's Report on Compliance with Requirements That Could Have  
a Direct and Material Effect on  
Each Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133

Superintendent of Schools  
Leon County District School Board Members

**Compliance**

We have audited Leon County District School Board's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### **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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.*

March 6, 2013

Leon County District School Board

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantor Number</u>	<u>Amount of Expenditures</u>
<u>United States Department of Agriculture</u>			
Pass-through Florida Department of Agriculture and Consumer Services			
Team Nutrition Grants	10.574	301	249
Child Nutrition Cluster			
Food Donation	10.555	n/a	698,013
Pass-through Florida Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	321	1,734,795
National School Lunch Program	10.555	300, 350	5,753,014
Summer Food Service Program for Children	10.559	323	251,251
Total Child Nutrition Cluster			<u>8,437,073</u>
Team Nutrition Grants	10.574	301	967
Fresh Fruit and Vegetable Program	10.582	n/a	<u>152,638</u>
Pass-through Florida Department of Financial Services:			
Schools and Roads-Grants to States	10.665	n/a	<u>57,928</u>
Total United States Department of Agriculture			<u>8,648,855</u>
<u>United States Department of Defense</u>			
Direct Programs:			
Air Force Junior Reserve Officer Training Corps	None	n/a	54,153
Army Junior Reserve Officer Training Corps	None	n/a	57,509
Navy Junior Reserve Officer Training Corps	None	n/a	51,349
Marine Corps Junior Reserve Officer Training Corps	None	n/a	<u>62,913</u>
Total United States Department of Defense			<u>225,924</u>
<u>United States Department of Education</u>			
Direct Programs:			
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	n/a	26,413
Federal Pell Grant Program	84.063	n/a	2,143,342
Total Student Financial Assistance Cluster			<u>2,169,755</u>
Fund for the Improvement of Education	84.215	n/a	<u>44,836</u>
Total Direct Programs			<u>11,089,370</u>
Indirect Programs:			
Pass-through Florida Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	262, 263	7,852,703
Special Education - Preschool Grants	84.173	266, 267	602,749
Total Special Education Cluster			<u>8,455,452</u>
Special Improvement Grants Cluster:			
School Improvement Grants	84.377	126	556,676
School Improvement Grants, Recovery Act	84.399	126	665,095
Total School Improvements Grants Cluster			<u>1,221,771</u>
Educational Technology State Grants Cluster:			
Educational Technology State Grants	84.318	121,122	203,405
Educational Technology State Grants, Recovery Act	84.386	121	9,044
Total Educational Technology State Grants Cluster			<u>212,449</u>
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226,228	6,759,661
ARRA- Title I Grants to Local Educational Agencies	84.010	592	8,648
Title I Grants to Local Educational Agencies, Recovery Act	84.389	212	362,177
Total Title I, Part A Cluster			<u>7,130,486</u>
State Fiscal Stabilization Fund- Race-To-The-Top Incentive Grants, Recovery	84.395	RL111	1,825,048
State Fiscal Stabilization Government Services Fund	84.397	592	2,374
Adult Education - Basic Grants to States	84.002	192	346,036
Career and Technical Education- Basic Grants to States	84.048	161	556,131
Education for Homeless Children and Youth	84.196	127	64,988
Even Start State Educational Agencies	84.213	219	118,370
Twenty-First Century Community Learning Centers	84.287	244	1,864,289
English Language Acquisition State Grants	84.365	102	59,438
Improving Teacher Quality State Grants	84.367	224	1,626,774
Pass-through University of California			
National Writing Project	84.928	n/a	6,255
Total Indirect Programs			<u>23,489,861</u>

Leon County District School Board  
Schedule of Expenditures of Federal Awards (continued)

Year ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor Number	Amount of Expenditures
Total United States Department of Education			25,704,452
<u>United States Department of Energy</u>			
Pass-through Florida Office of the Governor:			
State Energy Program	81.041	n/a	75,214
<u>United States Department of Health and Human Services</u>			
Pass-through the Leon/Gadsden School Readiness Coalition:			
Temporary Assistance for Needy Families	93.558	SR040	49,586
Child Care and Development Fund Cluster:			
Child Care and Development Block Grant	93.575	SR040	56,700
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	SR040	68,992
Total Child Care and Development Fund Cluster			175,278
Total United States Department of Health and Human Services			175,278
<u>United States Department of Homeland Security</u>			
Pass-through Florida Department of Education			
Homeland Security Grant Program - K-12 Access Control	97.004	532	170,925
Homeland Security Grant Program - K-20 NIMS/ICS Training	97.067	532	47,000
Total United States Department of Homeland Security			217,925
<u>United States Department of Justice</u>			
Pass-through Florida Department of Juvenile Justice			
Youth Gang Prevention	16.544	n/a	42,372
Total Expenditures of Federal Awards			\$ 35,090,020

**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 2011-12 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	\$ 77,144
Improving Teacher Quality State Grants	84.367	13,116
Special Education - Preschool Grants	84.173	82,035
Title I Grants to Local Educational Agencies	84.01	174,283
Title I Grants to Local Educational Agencies, Recovery Act	8.389	12,889
		\$ 359,467

*See the independent auditors' report on the financial statements.*

Leon County District School Board

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Section I -- Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No  
 Significant deficiency(ies) identified not considered to be material weaknesses? None

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? No  
 Significant deficiency(ies) identified not considered to be material weaknesses? None

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

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Programs</u>
	United States Department of Agriculture
	Child Nutrition Cluster:
	Pass through Florida Department of Agriculture
10.555	Food Donation
	Pass through Florida Department of Education
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
	United States Department of Education
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.063	Federal Pell Grant Program
	School Improvement Cluster
	Pass through Florida Department of Education
84.377	School Improvement Grants
84.388	School Improvement Grants, Recovery Act
	Pass through Florida Department of Education
84.367	Improving Teacher Quality State Grants
	State Fiscal Stabilization Fund- Race-To-The-Top Incentive
84.395	Grants, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,052,701

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

Year ended June 30, 2012

### **Prior Year's Finding and Recommendations**

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

#### **Federal Awards Finding 11-01: Compensation of Personnel Services**

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

For the 2010-11 fiscal year, the District had Title I program expenditures totaling approximately \$9.5 million, and program salary and benefits expenditures totaling approximately \$4.6 million for approximately 400 employees. Our test of program salaries and benefits totaling \$518,476.22 for 12 employees disclosed controls over personnel charges to the program could be enhanced as follows:

- The Title I program funded approximately 75 percent of the salary and benefits of the director of special services; however, based on personnel activity reports, the director devoted only 50 percent of her time to the program, resulting in \$27,159 of questioned costs. The difference between the percentage charged to the program and what should have been charged occurred because of miscommunication. Subsequent to our inquiries, the District restored this amount to the Title I program in August 2011.
- Although District personnel maintained semiannual certifications for 8 of the 11 employees tested who worked solely for the Title I program, semiannual certifications were not prepared for 3 of the tested employees, contrary to Federal requirements. District personnel indicated that the lack of semiannual certifications for the 3 employees was caused by oversights. Through our discussions with the 3 employees and review of class schedules, we confirmed that the employees worked solely for the program; however, when semiannual certifications are not properly maintained, the risk increases that services may not be performed in accordance with grant terms and District intentions, and personnel costs may be inappropriately charged to a Federal program.

**FY12 Status:** Corrective Action has been implemented.

## Other Reports

## Management Letter

Superintendent of Schools  
Leon County District School Board Members

We have audited the basic financial statements of the Leon County District School Board (the District) as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated March 6, 2013.

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 That Could Have a Direct and Material Effect on 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 March 6, 2013, should be considered in conjunction with this management letter.

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

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

### **Prior Year Comments and Recommendations**

#### **Auditor General Finding #1 Financial Reporting**

The Auditor General's review of the District's 2010-11 fiscal year annual financial report, as presented for audit, disclosed that financial reporting procedures could be improved. For example, on the government-wide statement of net assets, the District did not consider significant unspent debt proceeds and deferred charges of unamortized bond issuance costs when calculating the net assets – invested in capital assets, net of related debt, because of oversights. As a result, invested in capital assets, net of related debt, was understated by \$58 million, and net assets restricted for capital projects and unrestricted net assets were overstated by \$56.3 million and \$1.7 million, respectively. Misreporting net asset classifications may cause financial statement users to incorrectly assess the District's financial position.

The Auditor General extended their audit procedures to determine the adjustments necessary to ensure the District's financial statements were properly reported, and District personnel accepted these adjustments. However, their extended audit procedures cannot substitute for management's responsibility to implement adequate controls over financial reporting. A similar finding was noted in the Auditor General's report No. 2009-189.

During current year testing, we noted numerous adjustments that had to be made to the District's 2011-12 fiscal year annual financial report, as presented for audit (see Current Year Comments and Recommendations, Finding 12-06).

### **Auditor General Finding #2 Extended Day Enrichment Program**

The District operates a fee-supported, school-age child care program that provides before and after school care at 20 elementary schools. The District recorded fee collections totaling approximately \$3.4 million for the Extended Day Enrichment Program (EDEP) for the 2010-11 fiscal year. The Auditor General's review of internal controls over the EDEP fee collections at Apalachee Elementary, Canopy Oaks Elementary, DeSoto Trail Elementary, Ft. Braden Elementary, Hawks Rise Elementary, and Killearn Lakes Elementary Schools disclosed numerous control deficiencies. These deficiencies occurred mainly because of the lack of formal EDEP policies and procedures to appropriately and sufficiently account for EDEP collections. Similar findings were noted in the Auditor General's report No. 2009-189.

To lessen the likelihood of future frauds relating to EDEP revenues, the District established an EDEP coordinator position to monitor EDEP collections by performing certain duties, such as fee audits reconciling projected EDEP fee collections, based on attendance records and approved fee rates, to actual fee collections and deposits. District records indicated that the coordinator reviewed EDEP controls, summarized projected revenues to total collections for all schools, and cited several schools for inadequately separating the duties of collecting, recording, and depositing fee collections. However, the coordinator did not maintain records to evidence reconciliations of projected and actual fee collections by individual school. Without such reconciliations, the risk increases that errors or misappropriations may occur in the individual programs without detection. (see Current Year Comments and Recommendations, Finding 12-07).

### **11-01 Internal Accounts – Segregation of Duties**

While performing principal interviews, we determined there are schools where the school accountant is receiving the bank statement before the principal. We continue to recommend the principal or another authorized signer receive the unopened bank statement directly (or by email if statements are sent electronically), review the statement for unusual or unexpected items and initial to document the review, prior to delivering the statement to the accountant for reconciliation.

Additionally, at two of the schools tested, we noted the school financial accountant is listed as an authorized check signer on the bank account. The accountant's role at the school 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 achieve improved segregation of duties and mitigate the potential for fraud, 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.

This comment has been partially resolved; see comment Current Year Comments and Recommendations, Finding 12-10.

### **11-02 Internal Accounts – Training**

Based on our interviews and testing, there are inconsistencies with actual practices and the District's internal accounts manual. Due to the nature of the findings, this indicates a heightened level of fraud and control risk at certain individual schools.

We recommend that training be conducted with principals, assistant principals and other principal designees, and accountants on an annual basis to reemphasize the internal accounts manual and the importance of adherence to those policies and procedures (see Current Year Comments and Recommendations, Finding 12-11).

### **11-03 Internal Accounts – Disbursements**

Our test of cash disbursements identified the following:

1. Disbursements at several schools contained only one authorized signature on the check.
2. Disbursements at several schools were comprised of reimbursements to the principal and were also approved by the principal and the checks were signed by the principal.
3. Disbursements at several schools did not contain documentation of principal pre-approval for a staff member's expense reimbursement.
4. One disbursement included sales tax which was reimbursed to a staff member.
5. Disbursements at several schools did not contain supporting documentation.
6. Disbursements at several schools did not contain documented approval by the sponsor and principal or designee.
7. One disbursement, a staff travel reimbursement, did not contain adequate supporting documentation (print out of pending purchase on credit card vs. actual proof of payment).
8. One of the reimbursements was related to food purchases which did not contain detailed receipts or documentation noting the business purpose of the expense.
9. Disbursements at several schools appear to be coded to the incorrect account number.
10. Two disbursements at one school were coded from the locker fees account, but were not related to the maintenance or upkeep of the lockers.
11. One disbursement did not include a check requisition form signed/approved by the principal or designee.
12. Disbursements in excess of \$1,500 did not contain district approved purchase orders.

To be in compliance with the internal accounts manual, all checks must be signed by two authorized check signers. Adherence to this control procedure should be observed by the person receiving and opening the bank statement.

Violation of the dual signature requirement should be investigated and documented. Reimbursements to school personnel must contain documentation of pre-approval by the principal. Reimbursements to the principal must be approved by the assistant principal and the check must be signed by the two remaining authorized check signers.

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. If not evident from the receipt, the business purpose of the expense should be noted on the supporting documentation. The check signers should review supporting documentation, including an approved check requisition, prior to signing checks to make certain that all disbursements are for authorized and allowable purchases. No reimbursements should be made for which the supporting documentation is a printout of a pending purchase. The accountant should also carefully review receipts and disbursements posted to the general ledger to ensure they have been coded to the correct account. Fees collected must be spent for the purposes for which they were collected.

We recommend that all purchases in excess of \$1,500 be submitted to the District's Purchasing Department for processing to be in compliance with the District's policies (see Current Year Comments and Recommendations, Finding 12-12).

#### **11-04 Internal Accounts – Receipts**

Our tests of cash receipts identified receipts coded to the incorrect account. We recommend the accountant carefully review receipts and disbursements posted to the general ledger to ensure they have been coded to the correct account. In addition, the correct account coding should be a part of the surprise cash receipt audits performed by the District's Internal Audit department.

Additionally, 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 (see Current Year Comments and Recommendations, Finding 12-13).

### **11-08 Internal Accounts – Stale Dated Checks**

We noted outstanding checks on the June 2011 bank reconciliations at several schools that were greater than five years old. In accordance with District policy, we recommend the school investigate checks outstanding for greater than five years, and all such checks should be removed from the reconciliation and remitted to the Florida Department of Financial Services, Bureau of Unclaimed Property in accordance with Section 717.102, *Florida Statutes* (see Current Year Comments and Recommendations, Finding 12-15).

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**

#### **12-01 Purchase Orders**

During cash disbursement testing, we noted three instances in which the purchase order date was after the invoice date. This is contrary to the District's purchasing policy. We recommend that the District follow their policy and ensure that expenditures are supported by a purchase order that is executed prior to incurring the expenditure. Adherence to purchasing policies and procedures will minimize the likelihood of purchases being made that are not approved.

*Management response:* The purchasing department will continue to reinforce policy with district administration and bookkeepers to minimize the potential for expenditures occurring prior to the issuance of a District authorized purchase order.

#### **12-02 Purchase Card Transactions**

Three of the 23 purchase card holders selected for testing over controls of the purchase card system did not have proper approval of the monthly PCard Statement by the card holder. 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:* The district continues to monitor the PCard statements and transactions to insure all policies and procedures are followed. The procedure concerning the signing of the Pcard statement is being reviewed and adjusted.

**12-03 FSA Bank Account**

During the current fiscal year, the District opened a new bank account related to the FSA accounts for employees. However, a new general ledger account for this new bank account was not established and this activity was not timely recorded in the general ledger.

Per discussions with District personnel, subsequent to the fiscal year audited, the District established a separate general ledger account for the FSA account. This will allow the District to appropriately track the contributions and spending of the FSA account, allow the District to appropriately track the FSA and VEBT account balances, and reduce the possibility of fraud and errors occurring in the accounts.

*Management response:* A new general ledger account has been established for this activity, this has been corrected.

**12-04 Retirement Leave Payout**

One of the employees selected for testing of retirement leave payouts was only paid for a portion of their entire retirement leave. The payment to the employee only included their sick leave and did not include payment for their annual leave.

We recommend that prior to final payments being processed for Retirement Leave payouts that the total payment amount is verified by someone other than the preparer of the payment to check for accuracy with the amount calculated on the Individual DROP Leave Payout sheets.

Review of the payment amount against the individual DROP leave payout sheet will ensure that the correct amount is being paid out to the retired individual and they are not being over/under paid. This will reduce the risk of fraud during the retirement payout process.

*Management response:* This error occurred during processing under the old system TERMS. Due to the implementation of FRS employee contributions sick and annual leave had to be processed in two separate payrolls and it was overlooked. Due to the implementation of Skyward, this type of oversight will not occur. Verification steps have already been put in place.

**12-05 Annual and Sick Leave Accrual**

During the testing of annual leave payout and testing of annual leave limits, auditor noted that 19 employees had more than 60 days of annual leave accrued. The total amount of accrued leave over the 60 day maximum was 136.09 days. Additionally, auditor noted that there is no review of the calculation of the accrued sick leave to ensure that the amounts are within the statutory percentage limitation.

Chapter 1012.65, *Florida Statutes*, states “Effective July 1, 2001, terminal pay for accrued vacation leave may not exceed a maximum of 60 days of actual payment.” Additionally, per Chapter 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 these limitations into effect.

We recommend that this calculation be reviewed by a Finance employee for compliance with Florida Statutes prior to the financial statements being prepared.

*Management response:* The CFO will review the calculation when it is sent to the Finance Department from the Personnel Department.

### **12-06 Financial Reporting**

Our review of the District's 2011-12 fiscal year annual financial report, as presented for audit, disclosed that financial reporting procedures could be improved. Adjustments were posted as a result of the audit which increased net assets at the government fund level by \$3.2 million, and decreased net assets on the Statement of Fiduciary Net Assets by \$1.3 million.

We recommend that a review of the annual financial report be performed by an employee who is independent of the preparation. This would minimize the errors and help ensure that the numbers submitted to the Florida Department of Education are correctly stated.

*Management response:* The CFO reviews the AFR after the Director, Financial Services prepares it. We will develop a checklist to ensure we do not overlook key areas of the preparation.

### **12-07 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 EDEP Coordinator performs reconciliations of the moneys received to the pupils enrolled. Additionally, the District office should ensure that appropriate reconciliations are performed.

*Management response:* Procedures have been established in which the District Senior Accountant monitors and reviews the fees collected versus the attendance forms at the school site. Programs have been provided a spreadsheet that provides the EDEP Manager and the District Senior Accountant information in which to verify fees versus attendance. The District Senior Accountant continues to train and monitor all of the fee based programs.

### **12-08 Competitive Food Sales**

Florida Administrative Code, State Department of Agriculture and Consumer Services Rule 5P-1.003, Responsibilities for the Food Service Program, states that the sale of food and beverage items in competition with the district approved food service program may be sold in secondary schools only, with the approval of the school board, one hour following the close of the last

lunch period. 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. However, carbonated beverages may not be sold where breakfast or lunch is being served or eaten. Non-carbonated beverages, including one hundred percent fruit juice, may be sold at all times during the day at any location. While performing testing at Chiles High School, we noted food vending machines available to students outside of the 1 hour requirement. Additionally, we noted two vending machines which contained carbonated beverages, but did not include one hundred percent fruit juice. Upon inspection of the Vending Services Agreement, the machines accessible to students may only include milk, one hundred percent fruit juice, and non-carbonated beverages. We recommend the District monitor vending machine use to ensure compliance with federal guidelines and state regulations.

*Management response:* The District will monitor vending machine use to ensure compliance with federal guidelines and state regulations.

### **12-09 Student Financial Assistance Programs**

The United States Department of Education requires that grantees of the Federal Pell Grant Program and the Federal Supplemental Educational Opportunity Grant Program verify all applications flagged by the federal central processing system which processes the Free Application for Federal Student Aid (FAFSA). For the flagged applicants, the grantee should obtain a completed Verification Worksheet, signed by the applicant, and financial documents to include tax returns for both the student and their parents or additional financial forms, as applicable. While testing verifications, we noted a student flagged for verification whose file did not include a completed Verification Worksheet, although the file did contain the required financial information. Additionally, we noted, due to the small staff size, there does not appear to be oversight over the verification process. We recommend that a procedure be put in place that would add a layer of review for all student verifications.

*Management response:* All financial aid applicant files, including flagged and unflagged for verification, are now audited by both financial aid officers for completion prior to awarding students. This process has proven valuable in eliminating errors and maintaining information integrity ensuring all required information is complete.

### **12-10 Internal Accounts – Segregation of Duties**

At one of the schools tested, we noted the school financial accountant (who has changed positions and is now the executive secretary to the principal) is listed as an authorized check signer on the bank account. The accountant's role at the school 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 achieve improved segregation of duties and mitigate the potential for fraud, 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:* This procedure is emphasized at every bookkeeper meeting. We will continue to work with sites to ensure that this is corrected.

### **12-11 Internal Accounts – Training**

Based on our interviews and testing, there are inconsistencies with actual practices and the District's internal accounts manual. Due to the nature of the findings, this indicates a heightened level of fraud and control risk at certain individual schools.

We recommend that training be conducted with principals, assistant principals and other principal designees, and accountants on an annual basis to reemphasize the internal accounts manual and the importance of adherence to those policies and procedures.

*Management response:* The Budget Department provides training on a quarterly basis, along with input from the Internal Auditor to ensure that policies and procedures are followed. We are in the process of updating the Procedures Manual.

### **12-12 Internal Accounts – Disbursements**

Our test of cash disbursements identified the following:

1. There was one instance in which cash was disbursed directly to a school's bookkeeper who then provided cash refunds to students.
2. Disbursements at several schools contained only one authorized signature on the check.
3. Disbursements at several schools were comprised of reimbursements to the principal and were also approved by the principal and the checks were signed by the principal.
4. Disbursements at several schools did not contain documentation of principal pre-approval for a staff member's expense reimbursement.
5. Three disbursements at one school included sales tax.
6. Disbursements at several schools did not contain supporting documentation.
7. Disbursements at several schools did not contain documented approval by the sponsor and principal or designee.
8. One of the reimbursements was related to food purchases which did not contain detailed receipts.
9. Disbursements at several schools appear to be coded to the incorrect account number.
10. One disbursement did not include a check requisition form signed/approved by the principal or designee.
11. Disbursements in excess of \$1,500 did not contain district approved purchase orders.
12. At one school two disbursement were coded incorrectly.
13. At one school a check that cleared during the current fiscal year was issued in 2007.
14. Several schools had checks that were outstanding for more than five years. At one school it was noted that there were nine outstanding checks on the June 2012 bank reconciliation that were greater than five years old.
15. It was noted that a voided check had not been properly defaced.
16. Several disbursements did not have supporting documentation of the expense (i.e. no receipt).
17. One disbursement was in excess of the approved purchase order amount.

18. One disbursement included the purchase of shoes for athletic coaches.
19. Several checks were converted to EFT transfers by the payee and therefore the dual signatures could not be verified.
20. One check was dated prior to the check requisition date and invoice date.

To be in compliance with the internal accounts manual, all checks must be signed by two authorized check signers. Adherence to this control procedure should be observed by the person receiving and opening the bank statement. Violation of the dual signature requirement should be investigated and documented. Reimbursements to school personnel must contain documentation of pre-approval by the principal. Reimbursements to the principal must be approved by the assistant principal and the check must be signed by the two remaining authorized check signers.

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. If not evident from the receipt, the business purpose of the expense should be noted on the supporting documentation. The check signers should review supporting documentation, including an approved check requisition, prior to signing checks to make certain that all disbursements are for authorized and allowable purchases. No reimbursements should be made for which the supporting documentation is a printout of a pending purchase. The accountant should also carefully review receipts and disbursements posted to the general ledger to ensure they have been coded to the correct account. Fees collected must be spent for the purposes for which they were collected.

We recommend that all purchases in excess of \$1,500 be submitted to the District's Purchasing Department for processing to be in compliance with the District's policies.

Additionally, checks that have been issued and not cashed within 180 days should be voided. Personnel should follow up on uncashed checks and ensure they were received by the proper party. In accordance with District policy, we recommend the school investigate stale dated checks. Any checks outstanding for greater than five years should be removed from the reconciliation and remitted to the Florida Department of Financial Services, Bureau of Unclaimed Property in accordance with Section 717.102, *Florida Statutes*.

*Management response:* As stated in response 12-11, the Finance Department provides regular training and emphasizes the importance of following the policies and procedures pertaining to internal accounts. We will go over these exceptions with the bookkeepers at the next meeting. Stale dated checks are also covered at the bookkeepers meetings; we will remind them of the procedure.

### **12-13 Internal Accounts – Receipts**

We noted one instance of a deposit slip not being maintained associated with a cash deposit.

Additionally, 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:* Bookkeepers will be reminded of the policy of depositing funds in a timely manner.

### **12-14 Internal Accounts – Voided Checks**

During our tests of disbursements, we noted a voided check that was not properly defaced. Voided checks should be properly defaced, which includes removal of the signature line, and stored in a secure area.

*Management response:* Bookkeepers will be reminded of the correct procedures for defacing voided checks.

### **12-15 Internal Accounts – Stale Dated Checks**

We noted outstanding checks on the June 2012 bank reconciliations at several schools that were greater than five years old. In accordance with District policy, we recommend the school investigate checks outstanding for greater than five years. All such checks should be removed from the reconciliation and remitted to the Florida Department of Financial Services, Bureau of Unclaimed Property in accordance with Section 717.102, *Florida Statutes*.

*Management response:* These exceptions will be discussed with the bookkeepers at the next meeting.

\*\*\*\*\*

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)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)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 statements considering both quantitative and qualitative factors: (1) violations or provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in

internal control 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.

Section 10.804(1)(f)8., *Rules of the Auditor General*, requires the auditor to state whether or not the district school board complied with transparency requirements (Section 2, Specific Appropriation 116 through 130 of Chapter 2010-152, Laws of Florida, provides that district school boards include a link on their Web sites to the Transparency Florida Web site). In connection with our audit, we determined that the District complied with transparency requirements.

The District's responses to the findings identified in our audit are included in this letter. We did not audit the District's response and accordingly, we express no opinion on it.

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 & Murree P.A.*

March 6, 2013