

Financial Statements
and Other Financial Information

Leon County District School Board
Tallahassee, Florida

*Year ended June 30, 2013
with Report of Independent Auditors*

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Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leon County District School Board (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management of the District is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, Section 218.39, *Florida Statutes* and Chapter 10.800, *Rules of the Auditor General* for District School Board Audits. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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, which represent 3.9 percent, .6 percent, and .5 percent, respectively, of the assets, net position, and revenues of the government-wide financial statements. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the report 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Leon County School District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison statements of the major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America, Section 218.39, *Florida Statutes* and Chapter 10.800, *Rules of the Auditor General* for School District Audits.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-15 and 64-65 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards and schedule of findings and questioned costs relating to federal awards are presented for purposes of additional analysis as required by the 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.

The schedule of expenditures of federal awards and schedule of findings and questioned costs relating to federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of findings and questioned costs relating to federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2014 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant 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* in considering the District's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Monroe P.A.



Tallahassee, Florida
March 26, 2014

Tallahassee, Florida

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, 2013.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$218 million.
- Total revenues (Statement of Activities) of \$314 million were comprised of general revenues in the amount of \$289 million, or 92 percent, and program specific revenues from charges for services and grants, and contributions in the amount of \$25 million or 8 percent.
- For the year ended June 30, 2013, the District had \$324 million in expenses related to governmental activities; \$25 million of which were offset by program specific charges or services, grants, and other sources. General revenues (primarily taxes and State funding programs) of \$289 million were not sufficient to provide for the District's programs resulting in a decrease in net position of \$9 million.
- As of the close of the fiscal year, the District's governmental funds report combined ending fund balances of \$93 million, a decrease of \$29 million in comparison with the prior year. Approximately 17.2 percent of this total amount, \$16 million, is available for spending at the District's discretion for the purposes defined for each governmental fund (unassigned fund balance).
- The unrestricted net position amount of negative \$40 million on the Statement of Net Position 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 2012-2013 of \$241.7 million, the operating cost per day, assuming 260 days, was \$929 thousand as compared to \$892 thousand in 2011-12.
- At the end of the fiscal year, unassigned fund balance for the General Fund is \$16.3 million or 6.7 percent of total General Fund expenditures. The unassigned fund balance represents 17.5 days of operating expenditures for 2013 as compared to 18.4 days for 2012.
- The District's total long-term debt for bonds and Certificates of Participation (COP's), and Notes Payable decreased by \$15.1 million or 9.1 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 statements. 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 position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 six 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 16-19 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, Other Federal Programs, Federal Economic Stimulus Programs Fund, Debt Service-Other Fund, ARRA Economic Stimulus Debt Service, Capital Projects-Other 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 20-21 and 23-24 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 purposes.

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

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

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

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 31-63 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$218.4 million at the close of the most recent fiscal year. Net position is segregated into capital assets, net of related debt, restricted net position and unrestricted net position. 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 position is constrained by debt covenants, enabling legislation or other legal requirements. Unrestricted net position is the portion of net position that can be used to meet the District’s ongoing obligations to citizens and creditors. The deficit in unrestricted net position 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 position, negative \$39.9 million, reflects the long-term requirement to pay for obligations that will become due in future years. For example, compensated absences total \$29.4 million. An estimated \$3.3 million will be due and payable in fiscal year 2014. Resources will be available to do that. On the other hand, \$25 million will be due and payable two or more years from the date of this statement. The Board does not have the resources, nor should it attempt to find the resources in the short term (i.e. one year), to pay for this non-current portion of the compensated absences liability.

Net Position, End of Year

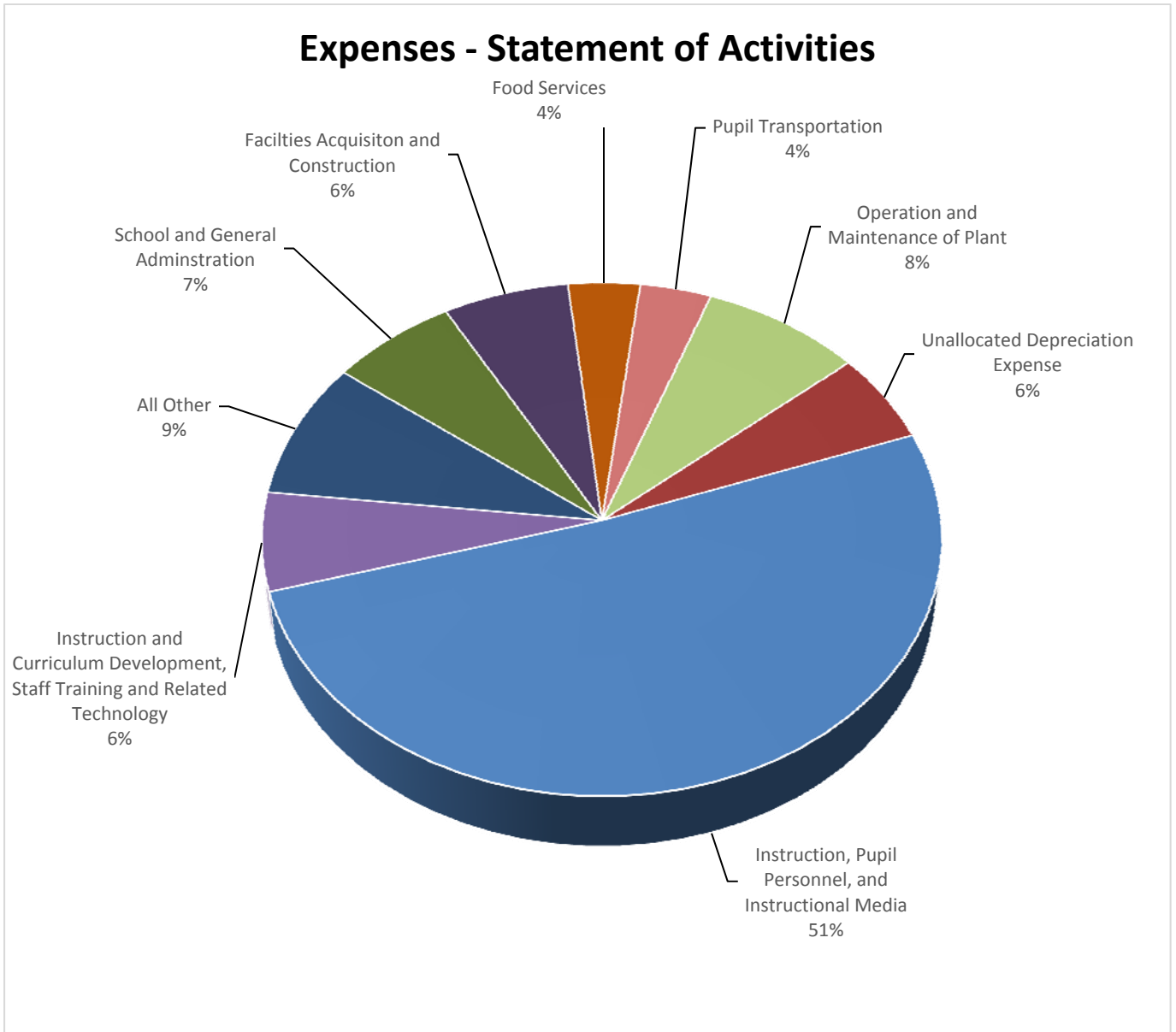
	Governmental Activities		Business-Type Activities		Total	
	6/30/13	6/30/12	6/30/13	6/30/12	6/30/13	6/30/12
Current and Other Assets	\$110,711,509	\$141,553,001	\$95,435	\$79,867	\$110,806,944	\$141,632,868
Capital Assets	323,285,912	316,795,279	–	–	323,285,912	316,795,279
Total Assets	433,997,421	458,348,280	95,435	79,867	434,092,856	458,428,147
Long-Term Liabilities	199,984,147	213,330,247	–	–	199,984,147	213,330,247
Other Liabilities	15,705,256	17,249,433	269	851	15,705,525	17,250,284
Total Liabilities	215,689,403	230,579,680	269	851	215,689,672	230,580,531
Net Position:						
Net investment in Capital Assets	181,296,377	190,351,477	–	–	181,296,377	190,351,477
Restricted	77,045,079	68,270,578	–	–	77,045,079	68,270,578
Unrestricted	(40,033,438)	(30,853,455)	95,166	79,016	(39,938,272)	(30,744,439)
Total Net Position	\$218,308,018	\$227,768,600	\$95,166	\$79,016	\$218,403,184	\$227,847,616

The District's net position decreased in total by \$9.4 million during the current fiscal year.

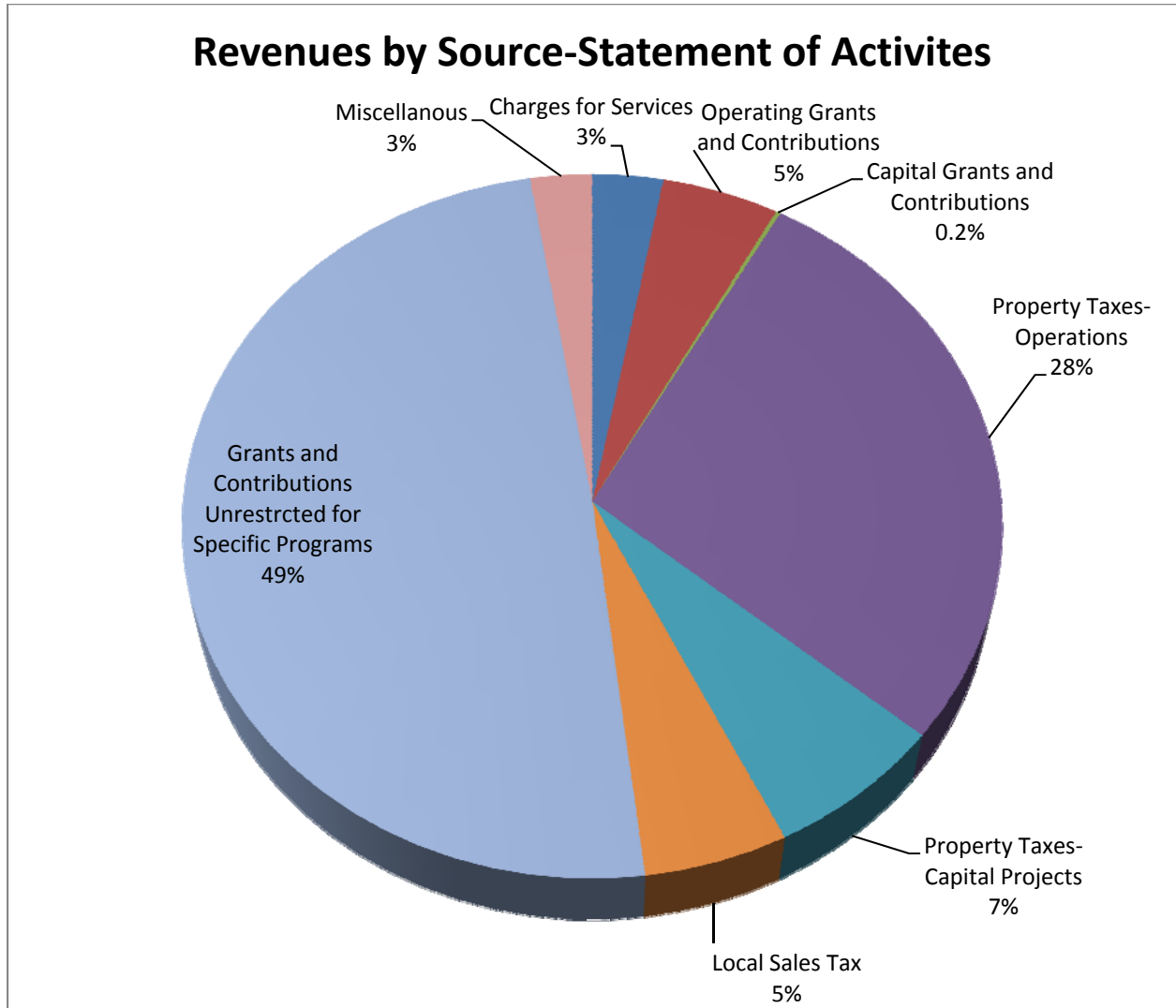
The key elements of the changes in the District's net position for the fiscal years ending June 30, 2013, and June 30, 2012 are as follows:

	Operating Results for the Fiscal Year Ended					
	Governmental		Business-Type		Total	
	Activities		Activities			
	06/30/2013	06/30/2012	06/30/2013	06/30/2012	06/30/2013	06/30/2012
Revenues						
Program Revenues						
Charges for Services	\$9,404,526	\$9,433,247	\$24,883	\$60,897	\$9,429,409	\$9,494,144
Operating Grants and Contributions	15,511,788	13,864,707	–	–	15,511,788	13,864,707
Capital Grants and Contributions	601,310	1,757,113	–	–	601,310	1,757,113
General Revenues						
Property Taxes Levied for Operations	87,931,324	91,918,271	–	–	87,931,324	91,918,271
Property Taxes Levied for Capital	21,249,872	21,943,071	–	–	21,249,872	21,943,071
Local Sales Tax	16,947,035	18,870,686	–	–	16,947,035	18,870,686
Grants and Contributions Not Restricted to Specific Programs	154,724,957	140,362,455	–	–	154,724,957	140,362,455
Unrestricted Investment Earnings	(634,084)	1,365,251	112	112	(633,972)	1,365,363
Miscellaneous	<u>8,909,573</u>	<u>8,458,353</u>	–	–	<u>8,909,573</u>	<u>8,458,353</u>
Total Revenues	314,646,301	307,973,153	24,995	61,009	314,671,296	308,034,162
Expenses						
Instruction	151,949,287	144,301,749	–	–	151,949,287	144,301,749
Pupil Personnel Services	9,907,521	9,768,412	–	–	9,907,521	9,768,412
Instructional Media Services	3,846,755	3,848,597	–	–	3,846,755	3,848,597
Instruction and Curriculum Development	13,954,693	13,850,569	–	–	13,954,693	13,850,569
Instructional Staff Training	3,743,280	2,023,623	–	–	3,743,280	2,023,623
Instruction Related Technology	2,425,092	2,230,252	–	–	2,425,092	2,230,252
Board of Education	1,074,721	816,348	–	–	1,074,721	816,348
General Administration	2,641,170	2,323,315	–	–	2,641,170	2,323,315
School Administration	18,447,436	18,272,659	–	–	18,447,436	18,272,659
Facilities Acquisition and Construction	20,813,725	31,082,013	–	–	20,813,725	31,082,013
Fiscal Services	2,320,792	2,185,606	–	–	2,320,792	2,185,606
Food Services	11,895,351	11,316,766	–	–	11,895,351	11,316,766
Central Services	6,031,293	5,954,312	–	–	6,031,293	5,954,312
Pupil Transportation	11,797,531	11,299,222	–	–	11,797,531	11,299,222
Operation of Plant	18,614,543	19,295,656	–	–	18,614,543	19,295,656
Maintenance of Plant	7,995,214	7,596,760	–	–	7,995,214	7,596,760
Administrative Technology	4,671,299	4,586,945	–	–	4,671,299	4,586,945
Community Services	7,092,299	6,620,011	–	–	7,092,299	6,620,011
Interest on Long Term Debt	6,424,916	6,885,604	–	–	6,424,916	6,885,604
Unallocated Depreciation Expense	18,314,012	17,776,758	–	–	18,314,012	17,776,758
Loss on Disposal of Capital Assets	145,953	37,522	–	–	145,953	37,522
District Permitting Office	–	–	<u>8,845</u>	<u>33,563</u>	<u>8,845</u>	<u>33,563</u>
Total Functions/Program Expense	<u>324,106,883</u>	<u>322,072,699</u>	<u>8,845</u>	<u>33,563</u>	<u>324,115,728</u>	<u>322,106,262</u>
Increase(Decrease) in Net Position	<u>\$(9,460,582)</u>	<u>\$(14,099,546)</u>	<u>\$16,150</u>	<u>\$27,446</u>	<u>\$(9,444,432)</u>	<u>\$(14,072,100)</u>

The following chart depicts the distribution of expenditures of the District as a whole for the 2012-13 fiscal year:



The following chart depicts the distribution of revenues of the District as a whole for the 2012-13 fiscal year.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

As of the end of the current fiscal year, the District's governmental funds combined ending fund balances were \$93.4 million, a decrease of \$29.3 million in comparison with the prior year. Approximately 17.6 percent of this total amount (\$16.4 million) constitutes unreserved fund balances, which are available for spending at the government's discretion within the purpose of each fund. The remainder of fund balances 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 (\$11 million), 4) to fund restricted debt service (\$15.1 million), 5) fund restricted capital projects (\$21.2 million), assigned general fund projects (\$9.8 million), and assigned capital projects (\$13.5 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 \$41 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 6.8 percent of total General Fund expenditures, while total fund balance represents 17 percent of that same amount. The fund balance of the District's General Fund decreased \$4.4 million during the current fiscal year.

ARRA 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 issuances such as Certificates of Participation, and Sales Tax Bonds, has a total fund balance of \$14 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 \$22.6 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 \$1.7 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, 2013 is listed below.

- The original budget for State sources of revenues in the General Fund totals \$134 million, and the final budget is lower by \$746,000.
- 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 and Instructional Media Services reflected increases in budgets by \$1.2 million and \$18 thousand, respectively. Instruction and Curriculum Development Services reflected an increased budget of \$4.5 million.
- The overall budget for revenues in the General Fund increased by \$5.3 million from the original to the final budget and total expenditure appropriations increased 6.1 million or 2% 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, 2013, amounts to \$323 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 acquisitions.

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, 2013	June 30, 2012
Land	\$15,590,442	\$15,590,442
Improvements Other Than		
Buildings	\$9,552,862	\$10,664,853
Buildings and Fixed Equipment	\$251,516,134	\$258,985,454
Furniture, Fixtures, and		
Equipment	\$10,785,354	\$12,454,265
Motor Vehicles	\$9,886,705	\$6,805,919
Construction in Progress	\$25,018,944	\$11,356,640
Computer Software	\$96,973	\$88,533
Audio-Visual Materials	\$838,498	\$849,169
Total Capital Assets	\$323,285,912	\$316,795,275

Long-Term Debt

At the end of the current fiscal year, the District has total debt outstanding of \$148.8 million. Of that total, \$5.4 million is considered to be general “bonded debt” (i.e., backed by the full faith and credit of the District). Another \$4.4 million in notes payable are secured by the General Fund ad valorem tax revenue. 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, 2013	June 30, 2012
Notes Payable	\$4,480,000	\$5,600,000
Bonds Payable	258,687	8,301,188
Certificates of Participation	141,780,035	146,860,919
State school bonds	4,835,000	5,720,000
	<u>\$151,353,722</u>	<u>\$166,482,107</u>

During the current fiscal year, the District’s total long-term debt decreased by \$15.1 million (9.1 percent).

The District maintains an “AA” rating from Fitch for its general obligation 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 45-52.

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>).

There currently is some uncertainty about future state funding for public schools because Circuit Judge Jackie Fulford ruled the Governor and the Legislature violated the state constitution when they enacted a law requiring Florida school district employees, police officers, state workers and other public employees to contribute 3 percent of their pay toward the Florida Retirement System. Several individual public employees and their unions challenged the law, including the Florida Education Association, which represents teachers and other school workers across the state. At the urging of the Governor, the Legislature passed the law in the spring of 2011 as a cost-cutting measure to save approximately \$1 billion out of the state budget. It allowed the state and local governments to reduce their contributions to the Florida Retirement System, and required all employees to contribute 3 percent of their salary to the Florida Retirement System.

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 Position

June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets:				
Cash and cash equivalents	\$ 76,768,942	\$ 95,435	\$ 76,864,377	\$ 1,179,916
Investments	134,417	-	134,417	-
Accounts receivable, net	218,689	-	218,689	14,733
Due from fiscal agent	264,106	-	264,106	-
Deposits receivable	-	-	-	48,200
Due from other agencies	6,427,308	-	6,427,308	394,414
Internal balances	-	-	-	353,045
Inventory	1,734,537	-	1,734,537	-
Prepaid items	85,098	-	85,098	30,428
Restricted assets:				
Cash with fiscal agent	14,422,681	-	14,422,681	32,427
Investments with fiscal agent	8,576,131	-	8,576,131	5,040
Investments in SBA Fund B surplus funds trust account	473,283	-	473,283	-
Deferred charges:				
Issuance costs	1,606,317	-	1,606,317	-
Total current assets	110,711,509	95,435	110,806,944	2,058,203
Noncurrent assets:				
Capital assets:				
Land	15,590,442	-	15,590,442	200,000
Land Improvements	-	-	-	18,066
Construction in progress	25,018,944	-	25,018,944	-
Improvements other than buildings	35,344,659	-	35,344,659	398,584
Less accumulated depreciation	(25,791,797)	-	(25,791,797)	(117,736)
Buildings and fixed equipment	424,937,259	-	424,937,259	14,455,800
Less accumulated depreciation	(173,421,125)	-	(173,421,125)	(602,675)
Furniture, fixtures, and equipment	54,012,125	-	54,012,125	1,775,439
Less accumulated depreciation	(43,226,771)	-	(43,226,771)	(768,521)
Motor vehicles	27,143,640	-	27,143,640	64,514
Less accumulated depreciation	(17,256,935)	-	(17,256,935)	(29,138)
Property under capital leases	-	-	-	26,840
Less accumulated depreciation	-	-	-	(4,473)
Audio visual materials	4,285,088	-	4,285,088	24,726
Less accumulated depreciation	(3,446,590)	-	(3,446,590)	(17,575)
Computer software	789,587	-	789,587	35,939
Less accumulated depreciation	(692,614)	-	(692,614)	(35,878)
Total capital assets net of accumulated depreciation	323,285,912	-	323,285,912	15,423,912
Total assets	\$ 433,997,421	\$ 95,435	\$ 434,092,856	\$ 17,482,115

(continued)

Leon County District School Board

Statement of Net Position (continued)

June 30, 2013

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities and net position				
Liabilities				
Salaries and wages payable	\$ 6,615,425	\$ -	\$ 6,615,425	\$ 199,721
Payroll deductions and withholdings	1,684,189	-	1,684,189	-
Accounts payable	6,162,831	269	6,163,100	480,348
Construction contracts retainage payable	1,017,195	-	1,017,195	-
Accrued interest payable	3,000	-	3,000	-
Sales tax payable	22,730	-	22,730	-
Deposits payable	199,886	-	199,886	-
Due to other agencies	-	-	-	236,235
Deferred revenue	-	-	-	14,198
<i>Noncurrent liabilities:</i>				
<i>Portion due within one year:</i>				
Notes payable	1,120,000	-	1,120,000	160,696
Obligations under capital leases	-	-	-	191,495
Bonds payable	1,115,000	-	1,115,000	-
Liability for compensated absences	3,361,095	-	3,361,095	-
Certificates of participation payable	5,162,000	-	5,162,000	-
Estimated liability for long-term claims	866,425	-	866,425	-
<i>Portion due after one year:</i>				
Notes payable	3,360,000	-	3,360,000	934,012
Obligations under capital leases	-	-	-	13,979,972
Bonds payable	3,978,687	-	3,978,687	-
Liability for compensated absences	26,040,709	-	26,040,709	-
Certificates of participation payable	136,618,035	-	136,618,035	-
Estimated liability for long-term claims	4,583,810	-	4,583,810	-
Other post-employment benefits obligation	13,778,386	-	13,778,386	-
Total liabilities	215,689,403	269	215,689,672	16,196,677
Net Position				
Net investment in capital assets	181,296,377	-	181,296,377	1,111,862
<i>Restricted for:</i>				
Categorical carryover programs	11,019,749	-	11,019,749	-
Debt service	15,101,107	-	15,101,107	-
Capital projects	34,683,775	-	34,683,775	-
Food service	739,408	-	739,408	-
Other purposes	15,501,040	-	15,501,040	236,235
Unrestricted	(40,033,438)	95,166	(39,938,272)	(62,659)
Total net position	218,308,018	95,166	218,403,184	1,285,438
Total liabilities and net position	\$ 433,997,421	\$ 95,435	\$ 434,092,856	\$ 17,482,115

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

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Leon County District School Board

Statement of Activities

Year Ended June 30, 2013

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction	\$ 151,949,287	\$ 6,387,259	\$ -	\$ -
Pupil personnel services	9,907,521	-	-	-
Instructional media services	3,846,755	-	-	-
Instruction and curriculum development services	13,954,693	-	-	-
Instructional staff training services	3,743,280	-	-	-
Instruction related technology	2,425,092	-	-	-
School Board	1,074,721	-	-	-
General administration	2,641,170	-	-	-
School administration	18,447,436	-	-	-
Facilities acquisition and construction	20,813,725	-	-	601,310
Fiscal services	2,320,792	-	-	-
Food services	11,895,351	3,017,267	9,227,094	-
Central services	6,031,293	-	-	-
Pupil transportation	11,797,531	-	5,100,211	-
Operation of plant	18,614,543	-	-	-
Maintenance of plant	7,995,214	-	-	-
Administrative technology services	4,671,299	-	-	-
Community services	7,092,299	-	-	-
Interest on long-term debt	6,424,916	-	1,184,483	-
Unallocated depreciation/amortization expense	18,314,012	-	-	-
Loss on sale of capital assets	145,953	-	-	-
Total governmental activities	<u>324,106,883</u>	<u>9,404,526</u>	<u>15,511,788</u>	<u>601,310</u>
Business-type activities:				
Other business-type activity	8,845	24,883	-	-
Total business-type activities	<u>8,845</u>	<u>24,883</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 324,115,728</u>	<u>\$ 9,429,409</u>	<u>\$ 15,511,788</u>	<u>\$ 601,310</u>
Component units:				
Charter schools and foundation	\$ 13,495,400	\$ 534,249	\$ 652,167	\$ 373,807
Total component units	<u>\$ 13,495,400</u>	<u>\$ 534,249</u>	<u>\$ 652,167</u>	<u>\$ 373,807</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
 Total general revenues, special items, extraordinary items, and transfers
 Change in net position
 Net position at beginning of year
 Net position at end of year

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (145,562,028)	\$ -	\$ (145,562,028)	\$ -
(9,907,521)	-	(9,907,521)	-
(3,846,755)	-	(3,846,755)	-
(13,954,693)	-	(13,954,693)	-
(3,743,280)	-	(3,743,280)	-
(2,425,092)	-	(2,425,092)	-
(1,074,721)	-	(1,074,721)	-
(2,641,170)	-	(2,641,170)	-
(18,447,436)	-	(18,447,436)	-
(20,212,415)	-	(20,212,415)	-
(2,320,792)	-	(2,320,792)	-
349,010	-	349,010	-
(6,031,293)	-	(6,031,293)	-
(6,697,320)	-	(6,697,320)	-
(18,614,543)	-	(18,614,543)	-
(7,995,214)	-	(7,995,214)	-
(4,671,299)	-	(4,671,299)	-
(7,092,299)	-	(7,092,299)	-
(5,240,433)	-	(5,240,433)	-
(18,314,012)	-	(18,314,012)	-
(145,953)	-	(145,953)	-
<u>(298,589,259)</u>	<u>-</u>	<u>(298,589,259)</u>	<u>-</u>
-	16,038	16,038	-
-	<u>16,038</u>	<u>16,038</u>	<u>-</u>
<u>\$ (298,589,259)</u>	<u>\$ 16,038</u>	<u>\$ (298,573,221)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,935,177)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,935,177)</u>
\$ 87,931,324	\$ -	\$ 87,931,324	\$ -
21,249,872	-	21,249,872	-
16,947,035	-	16,947,035	-
154,724,957	-	154,724,957	10,183,235
(634,084)	112	(633,972)	12,839
8,909,573	-	8,909,573	13,657
-	-	-	395,987
<u>289,128,677</u>	<u>112</u>	<u>289,128,789</u>	<u>10,605,718</u>
(9,460,582)	16,150	(9,444,432)	(1,329,459)
227,768,600	79,016	227,847,616	2,614,897
<u>\$ 218,308,018</u>	<u>\$ 95,166</u>	<u>\$ 218,403,184</u>	<u>\$ 1,285,438</u>

Leon County District School Board

Balance Sheet - Governmental Funds

June 30, 2013

	General	Other Federal Programs	Federal Economic Stimulus Programs	Other Debt Service
Assets				
Cash and cash equivalents	\$ 46,994,826	\$ 571,266	\$ 35,574	\$ 14,040,467
Investments	222,043	11,488	-	-
Accounts receivable, net	199,149	1,680	-	-
Due from other funds:				
Budgetary funds	669,660	41,247	-	-
Internal funds	264,106	-	-	-
Due from other agencies	960,197	2,061,682	622	-
Inventory	995,129	-	-	-
Prepaid items	-	-	-	-
Total assets	<u>\$ 50,305,110</u>	<u>\$ 2,687,363</u>	<u>\$ 36,196</u>	<u>\$ 14,040,467</u>
Liabilities and fund balances				
Liabilities				
Salaries, benefits, and payroll taxes payable	\$ 6,077,340	\$ 509,552	\$ 11,375	\$ -
Payroll deductions and withholdings	1,576,214	116,807	(9,076)	-
Accounts payable	1,157,861	1,532,993	23,877	-
Construction contracts payable - retained percentage	-	-	-	-
Matured interest payable	-	-	-	-
Sales tax payable	22,730	-	-	-
Deposits payable	-	-	-	-
Due to other funds:				
Budgetary funds	41,247	528,011	9,018	-
Total liabilities	<u>8,875,392</u>	<u>2,687,363</u>	<u>35,194</u>	<u>-</u>
Fund balances				
Nonspendable				
Inventory	995,129	-	-	-
Restricted for:				
State and Federal required carryover programs	9,574,824	-	-	-
Debt service funds	-	-	-	14,040,467
Capital projects	-	-	-	-
Total restricted fund balance	<u>9,574,824</u>	<u>-</u>	<u>-</u>	<u>14,040,467</u>
Committed to:				
Contractual agreements	4,700,000	-	-	-
Assigned to:				
Special projects	9,804,909	-	1,002	-
Capital projects	-	-	-	-
Unassigned fund balance	<u>16,354,856</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>41,429,718</u>	<u>-</u>	<u>1,002</u>	<u>14,040,467</u>
Total liabilities and fund balances	<u>\$ 50,305,110</u>	<u>\$ 2,687,363</u>	<u>\$ 36,196</u>	<u>\$ 14,040,467</u>

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

	ARRA Economic Stimulus Debt Service	Other Capital Projects	ARRA Economic Stimulus Capital Projects	Other Governmental Funds	Total Governmental Funds
\$	40	\$ 21,019,242	\$ 3,179,036	\$ 13,927,303	\$ 99,767,754
	-	234,625	-	139,544	607,700
	-	-	-	17,860	218,689
	-	-	-	-	710,907
	-	-	-	-	264,106
	-	3,187,123	-	217,684	6,427,308
	-	-	-	739,408	1,734,537
	-	85,098	-	-	85,098
\$	40	\$ 24,526,088	\$ 3,179,036	\$ 15,041,799	\$ 109,816,099
\$	-	\$ -	\$ -	\$ 17,158	\$ 6,615,425
	-	-	-	244	1,684,189
	-	1,481,047	860,642	1,106,411	6,162,831
	-	379,524	637,671	-	1,017,195
	-	-	-	3,000	3,000
	-	-	-	-	22,730
	-	-	-	199,886	199,886
	-	-	-	132,631	710,907
	-	1,860,571	1,498,313	1,459,330	16,416,163
	-	-	-	739,408	1,734,537
	-	-	-	1,444,926	11,019,750
	40	-	-	1,060,600	15,101,107
	-	15,372,876	1,680,532	4,127,397	21,180,805
	40	15,372,876	1,680,532	6,632,923	47,301,662
	-	-	-	-	4,700,000
	-	-	-	-	9,805,911
	-	7,292,641	191	6,210,138	13,502,970
	-	-	-	-	16,354,856
	40	22,665,517	1,680,723	13,582,469	93,399,936
\$	40	\$ 24,526,088	\$ 3,179,036	\$ 15,041,799	\$ 109,816,099

Leon County District School Board

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

June 30, 2013

Total fund balances - governmental funds	\$ 93,399,936
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.	323,285,912
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.	1,606,317
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(199,984,147)</u>
Total net position - governmental activities	<u>\$ 218,308,018</u>

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

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Leon County District School Board

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

Year ended June 30, 2013

	General	Other Federal Programs	Federal Economic Stimulus Programs	Other Debt Service
Revenues				
Federal direct	\$ 230,960	\$ 2,148,849	\$ -	\$ 1,804,226
Federal through state and local	56,955	23,652,580	1,413,545	-
State sources	132,875,044	-	-	-
Local sources:				
Property taxes levied for operational purposes	87,930,922	-	-	-
Property taxes levied for debt service	-	-	-	-
Property taxes levied for capital projects	-	-	-	-
Local sales taxes	-	-	-	-
Charges for service - food service	-	-	-	-
Other local revenue	11,796,962	-	-	(991,830)
Total local sources	99,727,884	-	-	(991,830)
Total revenues	<u>232,890,843</u>	<u>25,801,429</u>	<u>1,413,545</u>	<u>812,396</u>
Expenditures				
Current:				
Instruction	139,415,123	10,878,173	596,833	-
Pupil personnel services	8,344,920	1,494,469	-	-
Instructional media services	3,810,961	7,000	-	-
Instruction and curriculum development services	8,261,324	5,286,052	302,864	-
Instructional staff training services	1,435,633	2,240,372	43,810	-
Instruction related technology	2,326,172	75,758	6,150	-
School board	1,071,719	-	-	-
General administration	1,334,138	1,166,078	131,158	-
School administration	18,222,039	51,081	24,221	-
Facilities acquisition and construction	1,751,395	262	78,101	-
Fiscal services	2,303,536	-	-	-
Food services	-	-	-	-
Central services	5,774,197	206,854	9,299	-
Pupil transportation services	11,627,107	99,419	-	-
Operation of plant	18,541,366	11,713	-	-
Maintenance of plant	7,947,382	2,265	-	-
Administrative technology services	4,643,517	-	-	-
Community services	4,935,507	2,144,178	-	-
Debt service:				
Retirement of principal	-	-	-	12,507,000
Interest	-	-	-	5,489,625
Dues, fees, and issuance costs	-	-	-	12,250
Capital outlay:				
Facilities acquisition and construction	-	-	-	-
Other capital outlay	-	2,137,755	221,109	-
Total expenditures	<u>241,746,036</u>	<u>25,801,429</u>	<u>1,413,545</u>	<u>18,008,875</u>
Excess (deficiency) of revenues over (under) expenditures	(8,855,193)	-	-	(17,196,479)
Other financing sources (uses)				
Transfers in	4,427,696	-	-	11,545,633
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>4,427,696</u>	<u>-</u>	<u>-</u>	<u>11,545,633</u>
Net change in fund balances	(4,427,497)	-	-	(5,650,846)
Fund balances, July 1, 2012	45,857,215	-	1,002	19,691,313
Fund balances, June 30, 2013	<u>\$ 41,429,718</u>	<u>\$ -</u>	<u>\$ 1,002</u>	<u>\$ 14,040,467</u>

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

ARRA Economic Stimulus Debt Service	Other Capital Projects	ARRA Economic Stimulus Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 900,099	\$ -	\$ -	\$ -	\$ 5,084,134
-	-	-	9,066,523	34,189,603
-	-	-	2,149,288	135,024,332
-	-	-	402	87,931,324
-	-	-	-	-
-	-	-	21,249,873	21,249,873
-	17,193,958	-	-	17,193,958
-	-	-	3,017,267	3,017,267
274	119,671	5,326	21,342	10,951,745
274	17,313,629	5,326	24,288,884	140,344,167
900,373	17,313,629	5,326	35,504,695	314,642,236
-	-	-	-	150,890,129
-	-	-	-	9,839,389
-	-	-	-	3,817,961
-	-	-	-	13,850,240
-	-	-	-	3,719,815
-	-	-	-	2,408,080
-	-	-	-	1,071,719
-	-	-	-	2,631,374
-	-	-	-	18,297,341
-	-	-	-	1,829,758
-	-	-	-	2,303,536
-	-	-	11,859,678	11,859,678
-	-	-	-	5,990,350
-	-	-	-	11,726,526
-	-	-	-	18,553,079
-	-	-	-	7,949,647
-	-	-	-	4,643,517
-	-	-	-	7,079,685
-	-	-	2,175,000	14,682,000
900,100	-	-	369,209	6,758,934
1,750	-	-	53,646	67,646
-	21,721,686	13,624,768	6,223,169	41,569,623
-	-	-	-	2,358,864
901,850	21,721,686	13,624,768	20,680,702	343,898,891
(1,477)	(4,408,057)	(13,619,442)	14,823,993	(29,256,655)
1,477	-	-	1,198,775	17,173,581
-	-	-	(17,173,581)	(17,173,581)
1,477	-	-	(15,974,806)	-
-	(4,408,057)	(13,619,442)	(1,150,813)	(29,256,655)
40	27,073,574	15,300,165	14,729,220	122,652,529
\$ 40	\$ 22,665,517	\$ 1,680,723	\$ 13,582,469	\$ 93,399,936

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, 2013

Net change in fund balances - governmental funds	\$ (29,256,655)
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.	6,636,587
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.	(145,953)
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.	15,128,385
Debt issuance costs are not expensed in the government-wide statements, but are reported as deferred charges and amortized over the life of the debt.	(44,722)
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.	(1,230,747)
The net change in the liability for estimated insurance claims is reported in the statement of activities. This is the net estimated decrease in insurance claims.	671,380
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.	(1,222,918)
Change in value on investments with fiscal agents is for future payment of bonds. This income is reflected in the statement of activities.	<div style="border-top: 1px solid black; display: inline-block;">4,061</div>
Change in net position of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block;">\$ (9,460,582)</div>

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

Leon County District School Board

Statement of Net Position -
Proprietary Funds

June 30, 2013

	Permitting Office Enterprise Funds
Assets	
Current assets:	
Cash and cash equivalents	\$ 95,435
Due from other funds - budgetary	-
Total assets	<u>\$ 95,435</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 269
Total liabilities	<u>269</u>
Net position	
Unrestricted	<u>95,166</u>
Total net position	<u>95,166</u>
Total liabilities and net position	<u>\$ 95,435</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 Position -
Proprietary Funds

Year ended June 30, 2013

	Permitting Office Enterprise Funds
Operating Revenues	
Charges for services	\$ 24,883
Total operating revenues	<u>24,883</u>
Operating Expenses	
Purchased services	3,526
Materials and supplies	3,295
Capital outlay	200
Other expenses	1,824
Total operating expenses	<u>8,845</u>
Operating income	16,038
Nonoperating revenues	
Interest revenue	112
Total nonoperating revenues	<u>112</u>
Change in net position	16,150
Net position - July 1, 2012	79,016
Net position - June 30, 2013	<u>\$ 95,166</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, 2013

	Permitting Office Enterprise Funds
	<u> </u>
Cash flows from operating activities	
Receipts from customers and users	\$ 24,883
Payments to suppliers	(8,737)
Payments for interfund services used	(690)
Net cash provided by operating activities	<u>15,456</u>
 Cash flows from noncapital financing activities	
Transfers to other funds	<u>-</u>
Net cash used by noncapital financing activities	<u>-</u>
 Cash flows from investing activities	
Interest and dividends received	<u>112</u>
Net cash provided by investing activities	<u>112</u>
 Net increase in cash and cash equivalents	15,568
Cash and cash equivalents - July 1, 2012	<u>79,867</u>
Cash and cash equivalents - June 30, 2013	<u>\$ 95,435</u>
 Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ 16,038
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Change in assets and liabilities:	
Decrease in due from other funds - budgetary	(690)
Increase in accounts payable	108
Total adjustments	<u>(582)</u>
Net cash provided by operating activities	<u>\$ 15,456</u>

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

Leon County District School Board

Statement of Fiduciary Net Position -
Fiduciary Funds

June 30, 2013

	Frank Stoutamire Private-Purpose Trust Funds	Voluntary Employee Benefits Trust Funds	Internal Accounts Agency Funds
Assets			
Cash and cash equivalents	\$ 56,451	\$ 10,503,931	\$ 3,582,295
Investments	-	4,664	-
Accounts receivable, net	-	78,358	-
Due from other funds - budgetary	-	-	-
Total assets	<u>\$ 56,451</u>	<u>\$ 10,586,953</u>	<u>\$ 3,582,295</u>
Liabilities			
Salaries, benefits, and payroll taxes payable	\$ -	\$ 205,232	-
Payroll deductions and withholdings	-	6,819,733	-
Internal accounts payable	-	-	3,582,295
Total liabilities	<u>-</u>	<u>7,024,965</u>	<u>3,582,295</u>
Net position			
Assets held in trust for employee benefits	-	3,561,988	-
Assets held in trust for scholarships and other purposes	56,451	-	-
Total net position	<u>56,451</u>	<u>3,561,988</u>	<u>-</u>
Total liabilities and net position	<u>\$ 56,451</u>	<u>\$ 10,586,953</u>	<u>\$ 3,582,295</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 Position -
Fiduciary Funds

Year ended June 30, 2013

	Frank Stoutamire Private-Purpose Trust Funds	Voluntary Employee Benefits Trust Funds
Additions		
Contributions:		
Employer	\$ -	\$ 18,421,082
Plan members	-	16,420,886
Investment earnings:		
Interest	83	15,784
Total investment earnings	83	15,784
Less investment expense	-	-
Net investment earnings	83	15,784
Total additions	83	34,857,752
Deductions		
Purchased services	-	24,308
Other expenses	414	34,794,784
Total deductions	414	34,819,092
Change in net position	(331)	38,660
Net position - July 1, 2012	56,782	3,523,328
Net position - June 30, 2013	\$ 56,451	\$ 3,561,988

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

Leon County District School Board

Notes to Financial Statements

June 30, 2013

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 basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria 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 basic financial statements to be misleading or incomplete.

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

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

The Leon School Board Leasing Corporation (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. 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 government-wide financial statements include the financial data of the District's other component units, which include The Foundation for Leon County Schools, Inc. (the Foundation); The Bethel Empowerment Foundation, Inc.; The School of Arts and Sciences, Inc.; Imagine School at Evening Rose, STARS Education Services, Inc., Capital City High of Leon County and Governors Charter School, Inc.

The Foundation 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 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, 2013, 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, School of Arts and Sciences Foundation, Inc. , STARS Educational Services, Inc., Capital City High, Inc and Governors Charter, Inc (Charter Schools) are separate, not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, and the Florida Not for Profit Corporations Act, and Section 1002.33, Florida Statutes. Imagine-Leon County, LLC, doing business as Imagine School at Evening Rose, is organized as a limited liability company pursuant to Chapter 608, Florida Statutes, the Florida Limited Liability Company Act, and Section 1002.23, Florida Statutes. Each Charter School operates under a charter approved by its sponsor, the Board. A portion of these not-for-profit corporations' funding comes from the District based on their weighted full-time equivalent student membership and the Legislature approved funding for the District. The Charter Schools are considered to be component units of the District since they are fiscally dependent on the District to levy taxes for their support. Audits of the Charter Schools for the fiscal year ended June 30, 2013, were performed and are on file at the District office.

Basis of Presentation

Government-wide Financial Statements – Government-wide financial statements, i.e., the statement of net position 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.

Leon County District School Board

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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 are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipients of goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, 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 any 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 – Other Federal Programs – to account for the financial resources generated by Federal programs.

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.

Leon County District School Board

Notes to Financial Statements

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

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

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 resources of Voluntary Employee Benefits Trust (VEBT) that administers the District’s employee group health, life and dental insurance programs, as well as the dependent care and medical expense reimbursement programs.

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 several schools in connection with school, student athletic, and class and club activities.

Basis of Accounting

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

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

Leon County District School Board

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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

When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, other postemployment benefits and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Proprietary funds are accounted for using the accrual basis of accounting. 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.

Leon County District School Board

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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 when 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 Federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Section 280, Florida Statutes. Cash and investments with fiscal agents are 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 amounts on deposit in money market funds and other deposits with an original maturity of three months or less to be cash equivalents.

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

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.11845939 at June 30, 2013. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distribution from Fund B is available as liquid balance within Florida PRIME.

Additional information regarding Florida PRIME can be obtained at <https://www.sbafla.com/pool>.

All other investments consist of United States Treasury Securities and money market funds.

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

Leon County District School Board

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations.

Warehouse, Maintenance and Transportation inventories are stated on a weighted moving-average basis. Food service inventories are stated at the last invoice price, which approximates the first-in, first-out basis, except that United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets acquired are reported at cost in the government-wide statement of net position, 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 cost incurred during construction of capital assets is not considered material and is 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>Description</u>	<u>Estimated Life</u>
Building Improvements	8-35 years
Buildings	40 years
Furniture, Fixture and Equipment	3-15 years
Motor Vehicles	5-10 years
Audio Visual	3-5 years
Computer Software	5 years

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

Leon County District School Board

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the applicable premiums or 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 and premiums are reported as other financing sources, while discounts on debt issuances are reported as other financing issues. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

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

State Revenue Sources

Revenues from state sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (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 five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

Leon County District School Board

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

State Revenue Sources (continued)

The State provides financial assistance to administer certain 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 these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is restricted in the governmental fund financial statements for the balance of categorical and earmarked educational program resources.

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.

District Property Taxes

The Board is authorized by State law to levy property taxes for district school operations, capital improvements, and debt service.

Property taxes consist of ad valorem taxes on real and personal property within the District. Property values are determined by the Leon County Property Appraiser, and property taxes are collected by the Leon County Tax Collector.

The Board adopted the 2012 tax levy on September 4, 2012. 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 the property on January 1st, 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.

Leon County District School Board

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

District Property Taxes (continued)

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

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

Capital Outlay Surtax

On November 6, 2012, the voters of Leon County (County) approved one-half cent school capital outlay surtax on sales in the County for fifteen years, effective January 1, 2013, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

Federal Revenue Sources

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

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.

Appropriations are controlled at the object level (e.g. salaries, purchased services, and capital outlay) within each activity (e.g. instruction, pupil personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.

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

Leon County District School Board

Notes to Financial Statements

3. INVESTMENTS

As of June 30, 2013, the District has the following investments and maturities:

INVESTMENTS	
State Board of Administration (SBA)	\$ 473,283
Fund B Surplus Funds Trust Fund (Fund B)	
Debt Service Accounts	134,426
United States Treasury Securities (1)	2,689,957
Fidelity Institutional Money Market Fund - Federal Government Portfolio-Class 1 (2)	9,299,069
Fidelity Institutional Money Market Fund - Treasury Portfolio – Class III (2)	8,887,792
Less cash held with fiscal agent	<u>(12,300,687)</u>
Total Investments, Primary Government	<u>\$ 9,183,831</u>

Notes: (1) This investment is held under a trust agreement in connection with the sinking fund requirement related to the Series 2004-QZAB Certificates of Participation (See Note 6).

(2) Investments reported as cash equivalents for financial statement reporting purposes.

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. Fund B, for which participation is involuntary, and the United States Treasury Securities, which is held in trust for the future retirement of Series 2004 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, 2013. The WAL, based on expected future cash flows of Fund B at June 30, 2013, is estimated at 3.98 years. However, because Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL.

Leon County District School Board

Notes to Financial Statements

3. INVESTMENTS (continued)

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, or 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 United States 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 SBA Debt Service Accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the SBA for managing interest risk and credit risk for this account.

The District's investments Fund B are unrated. The District's investments in United States Treasury securities are rated AAA by Moody's Investors Service.

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 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

Leon County District School Board

Notes to Financial Statements

3. INVESTMENTS (continued)

Custodial Credit Risk (continued)

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 \$2,689,957 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.

The State Board of Administration Government Surplus Funds Trust Fund, also known as the Local Government Investment Pool (LGIP), was restructured in December, 2007. The fund was divided into two pools, now "Florida PRIME". As of June 30, 2013, the fund was rated with an AAAM rating by Standard and Poor's. The Fund B Surplus Trust Funds is unrated.

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

4. CAPITAL ASSETS

Changes in capital asset are presented in the next page:

Leon County District School Board

Notes to Financial Statements

4. CAPITAL ASSETS (continued)

<u>Governmental Activities</u>	<u>Balance 7/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2013</u>
Non-Depreciable Capital Assets:				
Land	\$ 15,590,442	\$ –	\$ –	\$ 15,590,442
Construction in Progress	<u>11,356,641</u>	<u>16,009,375</u>	<u>2,347,072</u>	<u>25,018,944</u>
Total Non Depreciable Assets	<u>26,947,083</u>	<u>16,009,375</u>	<u>2,347,072</u>	<u>40,609,386</u>
Depreciable Assets:				
Improvements Other Than				
Buildings	35,209,085	135,574	–	35,344,659
Buildings and Fixture				
Equipment	422,590,188	2,347,072	–	424,937,260
Furniture, Fixture & Equipment	53,448,482	3,244,307	2,680,664	54,012,125
Motor Vehicles	22,361,979	5,116,168	334,507	27,143,640
Audio Visual Materials	4,027,247	428,046	170,205	4,285,088
Computer Software	<u>845,265</u>	<u>17,128</u>	<u>72,806</u>	<u>789,587</u>
Total Depreciable Assets	<u>\$538,482,246</u>	<u>\$11,288,295</u>	<u>\$3,258,182</u>	<u>\$546,512,359</u>
Less Accumulated Depreciation:				
Improvements Other Than				
Buildings	\$ 24,544,232	\$ 1,247,565	\$ –	\$ 25,791,797
Buildings and Fixture				
Equipment	163,604,733	9,816,393	–	173,421,126
Furniture, Fixture & Equipment	40,994,217	4,784,789	2,552,235	43,226,771
Motor Vehicles	15,556,060	2,034,832	333,957	17,256,935
Audio Visual Materials	3,178,077	421,919	153,406	3,446,590
Computer Software	<u>756,731</u>	<u>8,514</u>	<u>72,631</u>	<u>692,614</u>
Total Accumulated Depreciation	<u>248,634,050</u>	<u>18,314,012</u>	<u>3,112,229</u>	<u>263,835,833</u>
Net Depreciable Capital Assets	<u>289,848,196</u>	<u>(7,025,717)</u>	<u>145,953</u>	<u>282,676,526</u>
Governmental Activities				
Capital Assets	<u>\$316,795,279</u>	<u>\$ 8,983,658</u>	<u>\$2,493,025</u>	<u>\$323,285,912</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.

Leon County District School Board

Notes to Financial Statements

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.

REVENUE ANTICIPATION NOTES 2011

FISCAL YEAR ENDING JUNE 30,	TOTAL	PRINCIPAL	INTEREST
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	<u>1,128,753</u>	<u>1,120,000</u>	<u>8,753</u>
Total Revenue Anticipation Note	<u>\$ 4,620,045</u>	<u>\$ 4,480,000</u>	<u>\$ 140,045</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 Leon County School Board Leasing Corporation (Corporation), whereby the District secured financing of Lawton Chiles High School in the total amount of \$34,970,000. The financing was accomplished through the issuance of Certificates of Participation (COPs) Series 1997, to be repaid from the proceeds of rents paid by the District.

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 Certificates of Participation, Series 2005, in the amount of \$27,285,000 to advance refund a portion of the Certificates of Participation, Series 1997.

Leon County District School Board

Notes to Financial Statements

6. CERTIFICATES OF PARTICIPATION (continued)

On June 15, 2006, the master financing arrangement was amended and the Corporation issued Certificates of Participation, 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 Certificates of Participation, 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.

On July 25, 2008, the master financing arrangement was amended and the Corporation issued Certificates of Participation, Series 2008B-Qualified Zone Academy bonds (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 Certificates of Participation, Series 2010 Qualified School Construction Bonds (QSCB), in the amount of \$18,597,000. The QSCB's 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 Certificates of Participation, Series 2010 Qualified Zone Academy Bonds (QZAB), in the amount of \$33,209,140. The QZAB's 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 Leon School Board Leasing Corporation, with a rental fee of \$10 per year. The initial terms of the lease are approximately 35 years commencing on October 1, 1997 (Series 1997 COPS); 16 years commencing on November 1, 2004 (Series 2004-QZAB); 17 years commencing on March 1, 2005 (Series 2005, COPS Refunding); 20 years commencing June 15, 2006 (Series 2006 COPS); 16 years commencing on March 6, 2009, (Series 2008-QZAB) 15 years commencing on July 25, 2008, 15 years commencing on July 1, 2012 (Series 2010-QSCB) and 18 years commencing on December 1, 2011 (Series 2010 QZAB). 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 Certificates for a period of time specified by the arrangement which may be up to 35 years from the date of inception of the arrangement.

Leon County District School Board

Notes to Financial Statements

6. CERTIFICATES OF PARTICIPATION (continued)

The District properties included in the ground lease under this arrangement include the Lawton Chiles High School (Series 1997 and Series 2005, Refunding), technology equipment at 24 District school sites as listed in the Lease Schedule for the Series 2004-QZAB Certificates, Montford Middle School, Conley Elementary School, Pineview Elementary School, Deerlake Middle School, Killearn 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, Killearn 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).

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 Certificates. The lease payments for the Series 2005, COPS Refunding, and Series 2006 COPS are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 2.75 to 4.25 percent and 3.625 to 5 percent, respectively. The lease payments for the Series 2008-QZAB Certificates are payable annually on March 9 at a fixed interest rate of 0.19 percent. The lease payments for the Series 2008B-QZAB Certificates are payable annually on July 25 at a fixed interest rate of 1.7 percent. The lease payment for the Series 2010 QSCB certificates are payable annually on July 1 at a fixed rate of 4.84%. The lease payments for the Series 2010 QZAB certificates are payable annually on December 1 at a fixed interest rate of 5.68%. Both the Series 2010 QSCB and the Series 2010 QZAB receive a Federal subsidy at the same rate of interest as the bond, resulting in a net 0% 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, 2013:

QZAB – SERIES 2004

FISCAL YEAR ENDING JUNE 30,	TOTAL	PRINCIPAL	INTEREST
2021	<u>\$ 3,313,000</u>	<u>\$ 3,313,000</u>	_____ -
Total	<u>\$ 3,313,000</u>	<u>\$ 3,313,000</u>	_____ -

Leon County District School Board

Notes to Financial Statements

6. CERTIFICATES OF PARTICIPATION (continued)

QZAB – SERIES 2008A

FISCAL YEAR ENDING JUNE 30,	TOTAL	PRINCIPAL	INTEREST
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	316,150	312,000	4,150
2019-2023	1,571,856	1,560,000	11,856
2024	<u>312,593</u>	<u>312,000</u>	<u>593</u>
Total	<u>\$3,471,125</u>	<u>3,432,000</u>	<u>39,125</u>

QZAB – SERIES 2008B

FISCAL YEAR ENDING JUNE 30,	TOTAL	PRINCIPAL	INTEREST
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	1,119,000	1,000,000	119,000
2019-2023	5,340,000	5,000,000	340,000
2024	<u>1,017,000</u>	<u>1,000,000</u>	<u>17,000</u>
Total	<u>\$ 12,122,000</u>	<u>\$11,000,000</u>	<u>\$ 1,122,000</u>

QZAB – SERIES 2010

FISCAL YEAR ENDING JUNE 30,	TOTAL	PRINCIPAL	INTEREST
2029	<u>33,029,140</u>	<u>33,209,140</u>	_____ –
Total	<u>33,209,140</u>	<u>33,209,140</u>	_____ –

QCSB – SERIES 2010

FISCAL YEAR ENDING JUNE 30,	TOTAL	PRINCIPAL	INTEREST
2029	<u>18,597,100</u>	<u>18,597,100</u>	_____ –
Total	<u>\$ 18,597,100</u>	<u>\$ 18,597,100</u>	<u>_____ –</u>

Leon County District School Board

Notes to Financial Statements

6. CERTIFICATES OF PARTICIPATION (continued)

COPS – SERIES 2005 - REFUNDING

FISCAL YEAR ENDING JUNE 30,	TOTAL	PRINCIPAL	INTEREST
2014	\$ 2,376,763	\$ 1,635,000	\$ 741,763
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	2,368,688	1,900,000	468,688
2019-2023	<u>11,810,894</u>	<u>10,695,000</u>	<u>1,115,894</u>
Total	<u>\$ 23,676,233</u>	<u>\$ 19,520,000</u>	<u>\$ 4,156,233</u>

COPS – SERIES 2006

FISCAL YEAR ENDING JUNE 30,	TOTAL	PRINCIPAL	INTEREST
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	4,562,194	2,605,000	1,957,194
2019-2023	22,725,161	14,905,000	7,820,161
2024-2027	<u>27,489,675</u>	<u>25,070,000</u>	<u>2,419,675</u>
Total	<u>\$ 73,030,628</u>	<u>\$ 51,985,000</u>	<u>\$ 21,045,628</u>
Total Lease Payments	<u>167,419,226</u>	<u>141,056,240</u>	<u>26,362,986</u>
Add: Unamortized Premium		<u>723,795</u>	
Total Certificates of Participation		<u>141,780,035</u>	

Leon County District School Board

Notes to Financial Statements

7. BONDS PAYABLE

Bonds payable at June 30, 2013, are as follows:

BOND TYPE	AMOUNT OUTSTANDING	INTEREST RATES (PERCENT)	ANNUAL MATURITY
State School Bonds:			
Series 2005A	\$2,645,000	4.00 – 4.75	2018
Series 2005B	455,000	4.10 – 5.25	2021
Series 2009A (New Money)	865,000	3.00 – 5.00	2030
Series 2009A (Refunding)	220,000	4.00 – 5.00	2020
Series 2010A	650,000	4.00 – 5.00	2021
District Revenue Bonds:			
Series 1999 (Refunding 1971 & 1985)	<u>160,000</u>	5.19	2014
Total Bonds Payable	<u>\$4,995,000</u>		
Add: Unamortized Premium	<u>98,687</u>		
Total Bonds Payable	<u>\$5,093,687</u>		

The following is a description of bonded debt issues:

State School Bonds

These bonds are issued by the State Board of Education on behalf of the District. The bonds mature serially and are secured by a pledge of the District’s portion of the State-assessed motor vehicle license tax. The State’s full faith and credit is also pledged as security for the bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the State Board of Education and the State Board of Administration.

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.

Leon County District School Board

Notes to Financial Statements

7. BONDS PAYABLE (continued)

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, 2013, are as follows:

FISCAL YEAR ENDING JUNE 30,	TOTAL	PRINCIPAL	INTEREST
2014	\$ 1,188,488	\$ 955,000	\$ 233,488
2015	1,190,738	1,005,000	185,738
2016	1,205,488	1,070,000	135,488
2017	546,988	465,000	81,988
2018	313,738	255,000	58,738
2019-2023	742,988	580,000	162,988
2024-2028	443,088	370,000	73,088
2029-2033	<u>139,884</u>	<u>135,000</u>	<u>4,884</u>
Total State School Bonds	<u>\$ 5,771,400</u>	<u>\$ 4,835,000</u>	<u>\$ 936,400</u>
 Revenue 1999 Bonds (Refunding)	 <u>164,152</u>	 <u>160,000</u>	 <u>4,152</u>
Total District Revenue Bonds	<u>\$ 164,152</u>	<u>\$ 160,000</u>	<u>\$ 4,152</u>

8. DEFEASED DEBT

In prior years, the Board defeased in substance various debt issues by placing a portion of the proceeds of the new Certificates of Participation (COPS) and bonds in an irrevocable trust to provide for all future debt service payments on the in-substance defeased COPS and bonds. Accordingly, the trust accounts' assets and the liability for the in-substance defeased COPS and bonds are not included in the District's financial statements. The details of the in-substance defeased debt as of June 30, 2013 are as follows:

<u>Bond Issue</u>	<u>Defeased Amount</u>
District Revenue Bonds, Series 1985	\$ 355,000
COPS, Series 1997	<u>19,050,000</u>
Total Investments, Primary Government	<u>\$ 19,405,000</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:

DESCRIPTION	<u>BALANCE</u> <u>7/1/2012</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>6/30/2013</u>	<u>DUE IN</u> <u>ONE YEAR</u>
Governmental Activities					
Notes Payable	\$ 5,600,000	\$ —	\$ 1,120,000	\$ 4,480,000	\$ 1,120,000
Certificates of					
Participation Payable	146,860,919	—	5,080,884	141,780,035	5,162,000
Bonds Payable	14,021,188	—	8,927,501	5,093,687	1,115,000
Compensated Absences	28,171,057	4,689,129	3,458,382	29,401,804	3,361,095
Estimated Insurance					
Claims Payable	6,121,615	650,628	1,322,008	5,450,235	866,425
Other Post Employment					
Benefits Payable	<u>12,555,468</u>	<u>2,924,130</u>	<u>1,701,212</u>	<u>13,778,386</u>	<u>—</u>
Total Governmental					
Activities	<u>\$ 213,330,247</u>	<u>\$ 8,263,887</u>	<u>\$ 21,609,987</u>	<u>\$ 199,984,147</u>	<u>\$ 11,624,520</u>

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

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>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 4,427,696	\$ —
Debt	11,547,110	—
Nonmajor:		
Debt Service	1,198,775	—
Capital projects	—	<u>17,173,581</u>
Total	<u>\$17,173,581</u>	<u>\$17,173,581</u>

Leon County District School Board

Notes to Financial Statements

10. INTERFUND RECEIVABLES, PAYABLES & TRANSFERS (continued)

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

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 (Non-major Governmental Funds) for repayment of Certificates of Participation and District Sales Tax Bonds, respectively, and the transfer of Certificates of Participation proceeds from the Debt Service-Other Fund, to Capital Projects-Other Fund, from which the proceeds will be spent.

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

<u>Funds</u>	<u>Receivables</u>	<u>Payables</u>
Major		
General	\$669,660	\$41,247
Other Federal Programs	41,247	528,011
Federal Economic Stimulus Program	–	9,018
Non Major Governmental	–	<u>132,631</u>
Total	<u>\$710,907</u>	<u>\$710,907</u>

The principal purposes 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.

Leon County District School Board

Notes to Financial Statements

11. FUND BALANCE REPORTING (continued)

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.

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, 2013.

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 \$1,918,309 for medical reimbursement programs, \$1,295,304 assigned for E-Rate programs and \$6,591,296 assigned for other programs.

Leon County District School Board

Notes to Financial Statements

12. SCHEDULE OF STATE REVENUE SOURCES

SOURCES	AMOUNT
Florida Education Finance Program	\$ 79,166,501
Workforce Development	5,790,765
Categorical Education Programs:	
Class size reduction	35,972,358
Transportation	5,100,211
Florida School Recognition	2,017,602
Florida Comprehensive Assessment Test:	
Development grant	1,878,605
Gross receipt tax (Public Education Capital Outlay)	413,675
Motor vehicle license tax (CO and debt service)	1,346,728
Racing commissions funds	223,250
Food service supplement	154,969
Other state	<u>8,750,432</u>
Total	<u>\$ 135,024,332</u>

13. PROPERTY TAX

The following is a summary of millages and taxes levied on the 2012 tax roll for the 2012-2013 fiscal year:

GENERAL FUND	MILLAGES	TAXES LEVIED
Nonvoted School Tax:		
Required Local Effort	5.459	\$ 80,015,572
Basic Discretionary Local Effort	0.748	10,963,846
Supplemental Critical Operating Needs		
Capital Projects Funds		
Nonvoted Tax		
Local Capital Improvements	1.500	<u>21,986,343</u>
Total		<u>\$ 112,965,761</u>

Leon County District School Board

Notes to Financial Statements

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 Investment Plan.

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.

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 Investment Plan in lieu of the Pension Plan. District employees participating in DROP are not eligible to participate in the Investment Plan. The FRS Investment Plan (IP) 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 employee's investment funds. The Investment Plan directs contributions to individual member accounts, and the individual allocates contributions and account balance among various investment funds. (Participant contributions are not allowed). IP benefits are payable in a lump sum benefit rather than a monthly lifetime benefit. The vesting requirement is 1 year of creditable service.

Leon County District School Board

Notes to Financial Statements

14. FLORIDA RETIREMENT SYSTEM (continued)

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2012-13 fiscal year, contribution rates were as follows:

FRS MEMBERSHIP	PERCENTAGE OF EMPLOYEE	GROSS SALARY EMPLOYER
Regular	3.00%	5.18%
County Elected	3.00%	10.23%
Special Risk	3.00%	14.90%
DROP	N/A	5.44%
Reemployed Retiree (regular-initially reemployed prior to July 1, 2010 working towards a second benefit)	3.00%	5.18%
Reemployed Retiree (regular-initially reemployed on or after July 1, 2010 not working towards a second 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.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions (including employee contributions) for the fiscal years ended June 30, 2011, June 30, 2012, and June 30, 2013 are \$17,439,405, \$13,146,838, and \$14,304,706, respectively.

Leon County District School Board

Notes to Financial Statements

14. FLORIDA RETIREMENT SYSTEM (continued)

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

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 10 percent of their annual salary, excluding supplements, at the date of termination of employment. In addition to payments for accrued leave used and regular termination benefits, the District reported expenditures totaling \$ 1,097 during the 2012-2013 fiscal year for retirement incentive bonuses.

16. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description

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

Leon County District School Board

Notes to Financial Statements

16. OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)

Funding Policy

Plan contribution requirements are established and may be amended through action from the 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, and the Plan is financed on a pay-as-you-go basis. For the 2012-2013 fiscal year, 360 retirees received other postemployment benefits. The District's contribution to the OPEB obligation is the implicit subsidy for the retirees, which was \$2,132,326. 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 \$ 2,001,588.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation.

DESCRIPTION	
Normal Cost (service cost for one year)	\$ 1,421,527
Amortization of Unfunded Actuarial Accrued Liability	1,802,405
Interest on Normal Cost and Amortization	<u>-</u>
Annual Required Contribution	3,223,932
Interest on Net OPEB Obligation	470,830
Adjustment to Annual Required Contribution	<u>(770,632)</u>
Annual OPEB cost (expense)	2,924,130
Contribution Toward the OPEB Cost	<u>(1,701,212)</u>
Increase in Net OPEB Obligation	1,222,918
Net OPEB Obligation, Beginning of Year	<u>12,555,468</u>
Net OPEB Obligation, End of Year	<u>\$ 13,778,386</u>

Leon County District School Board

Notes to Financial Statements

16. OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the next OPEB obligation as of June 30, 2013 were as follows:

FISCAL YEAR ENDING	ANNUAL OPEB COST	AMOUNT CONTRIBUTED	PERCENTAGE OF ANNUAL OPEB COST CONTRIBUTION	NET OPEB OBLIGATIONS
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
June 30, 2013	2,924,130	1,701,212	58.18%	13,778,386

Funded Status and Funding Progress.

As of October 1, 2011, the most recent 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, 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 occurrence 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.

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of the Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

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

Leon County District School Board

Notes to Financial Statements

16. OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)

Actuarial Methods and Assumptions (continued)

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, 2013, and the District's 2012-13 fiscal year annual required contribution. This method was selected to produce the lowest OPEB liability and annual cost, and to spread the costs evenly as a percent of pay throughout the collective careers of those in the covered workforce.

Because the OPEB liability is currently unfunded, the actuarial assumptions included a 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 2009-10 fiscal year, reduced to an ultimate rate of 5 percent after 10 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, 2013, was 15 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, 2013:

FUNDS	
Major:	
General	\$ 366,709
Special Revenue – Federal	57,276
Economic Stimulus	–
Debt Service	–
ARRA Economic Stimulus	–
Other	–
Capital Projects	9,135,740
Other	16,846,685
Economic Stimulus	–
Total	<u>\$26,406,410</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.

PROJECT	CONTRACT AMOUNT	COMPLETED TO DATE	BALANCE COMMITTED
Conley	\$ 85,647	\$ –	\$ 85,647
Fairview	1,465,792	1,251,463	214,329
Fort Braden	1,369,673	1,151,813	217,860
Ghazvini	19,760	–	19,760
Gilchrist	1,652,617	1,295,245	357,372
Gilchrist	1,784,271	1,336,880	447,392
Killearn	1,650,470	1,323,337	327,133
Killearn	1,554,116	1,237,096	317,020
Rickards	1,770,182	510,473	1,259,709
Sullivan	1,733,564	1,554,911	178,653
Sullivan	1,546,906	1,356,646	190,260
Sullivan	1,484,793	1,396,748	88,045
Transportation	<u>1,161,546</u>	<u>555,889</u>	<u>605,657</u>
Totals	<u>\$ 17,279,338</u>	<u>\$ 12,970,500</u>	<u>\$ 4,308,838</u>

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

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

A liability in the amount of \$5,450,235 was actuarially determined to cover estimated incurred but not reported insurance claims payable at June 30, 2013.

Leon County District School Board

Notes to Financial Statements

18. RISK MANAGEMENT PROGRAMS

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

FISCAL YEAR ENDING JUNE 30,	FISCAL YEAR LIABILITY	CLAIMS AND CHANGES IN ESTIMATES	CLAIM PAYMENTS	YEAR END BALANCE
2011	\$7,792,736	\$ (405,966)	\$1,260,969	\$6,125,801
2012	6,125,801	1,347,517	1,351,703	6,121,615
2013	6,121,615	650,628	1,322,008	5,450,235

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.

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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal direct	\$ 226,054	\$ 230,960	\$ 230,960	\$ -
Federal through state	50,000	56,955	56,955	-
State sources	134,008,502	133,262,654	132,875,044	(387,610)
Local sources:				
Property taxes levied for operational purposes	86,389,700	87,930,922	87,930,922	-
Other local revenue	7,206,864	11,796,962	11,796,962	-
Total local sources	93,596,564	99,727,884	99,727,884	-
Total revenues	<u>227,881,120</u>	<u>233,278,453</u>	<u>232,890,843</u>	<u>(387,610)</u>
Expenditures				
Current:				
Instruction	157,921,573	154,836,905	139,415,123	15,421,782
Pupil personnel services	8,607,602	9,736,075	8,344,920	1,391,155
Instructional media services	3,979,316	3,997,557	3,810,961	186,596
Instruction and curriculum development services	5,733,467	10,330,955	8,261,324	2,069,631
Instructional staff training services	1,113,978	1,925,178	1,435,633	489,545
Instruction related technology	2,309,779	2,611,450	2,326,172	285,278
School board	1,200,259	1,266,381	1,071,719	194,662
General administration	1,921,658	1,595,416	1,334,138	261,278
School administration	18,491,248	19,394,933	18,222,039	1,172,894
Facilities acquisition and construction	2,332,035	3,676,946	1,751,395	1,925,551
Fiscal services	2,072,332	2,353,588	2,303,536	50,052
Central services	8,730,116	8,570,138	5,774,197	2,795,941
Pupil transportation	11,431,734	11,873,195	11,627,107	246,088
Operation of plant	24,751,505	23,392,464	18,541,366	4,851,098
Maintenance of plant	8,053,452	8,520,766	7,947,382	573,384
Administrative technology services	4,469,433	5,036,088	4,643,517	392,571
Community services	6,988,375	7,124,927	4,935,507	2,189,420
Capital outlay:				
Other capital outlay	-	-	-	-
Total expenditures	<u>270,107,862</u>	<u>276,242,962</u>	<u>241,746,036</u>	<u>34,496,926</u>
Excess (deficiency) of revenues over (under) expenditures	(42,226,742)	(42,964,509)	(8,855,193)	34,109,316
Other financing sources (uses)				
Transfers in	-	-	4,427,696	4,427,696
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>#REF!</u>	<u>#REF!</u>
Net change in fund balances	(42,226,742)	(42,964,509)	#REF!	#REF!
Fund balances - July 1, 2012	45,857,215	45,857,215	45,857,215	-
Fund balances - June 30, 2013	<u>\$ 3,630,473</u>	<u>\$ 2,892,706</u>	<u>#REF!</u>	<u>#REF!</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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal through state and local	\$ 2,213,197	\$ 1,965,534	\$ 1,413,545	\$ (551,989)
Total revenues	<u>2,213,197</u>	<u>1,965,534</u>	<u>1,413,545</u>	<u>(551,989)</u>
Expenditures				
Current:				
Instruction	850,413	848,042	596,833	251,209
Instruction and curriculum development services	416,896	315,377	302,864	12,513
Instructional staff training services	307,637	139,502	43,810	95,692
Instruction related technology	8,877	6,150	6,150	-
General administration	139,155	149,136	131,158	17,978
School administration	-	40,909	24,221	16,688
Facilities acquisition and construction	111,120	78,101	78,101	-
Central services	35,095	17,208	9,299	7,909
Maintenance of plant	3,500	-	-	-
Administrative technology services	305,827	-	-	-
Capital outlay:				
Other capital outlay	34,677	371,109	221,109	150,000
Total expenditures	<u>2,213,197</u>	<u>1,965,534</u>	<u>1,413,545</u>	<u>551,989</u>
Net change in fund balances				
Fund balances - July 1, 2012	1,002	1,002	1,002	-
Fund balances - June 30, 2013	<u>\$ 1,002</u>	<u>\$ 1,002</u>	<u>\$ 1,002</u>	<u>\$ -</u>

See report of independent auditors.

Leon County School District

Schedule of Funding Progress

Year ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2006	\$ -	\$ 82,280,036	\$ 82,280,036	0%	\$ 124,632,777	66.02%
10/1/2008	-	32,190,831	32,190,831	0%	126,679,643	25.35%
10/2/2011	-	27,721,142	27,721,142	0%	114,207,168	24.27%

See report of independent auditors.

Federal Reports and Schedules

Report of Independent Auditors on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Superintendent of Schools
The Leon County District School Board

We have audited, in accordance with the 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, the financial statements of The Leon County District School Board (the District), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2.

We noted certain other matters that we reported to the District's management in the accompanying management letter dated March 26, 2014.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Monroe P.A.



Tallahassee, Florida
March 26, 2014

Tallahassee, Florida

Report of Independent Auditors on Compliance for Each
Major Program and on Internal Control Over Compliance
Required by OMB Circular A-133

Superintendent of Schools
Leon County District School Board Members

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on CFDA 84.388 and 84.377, Special Improvement Grants Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding CFDA 84.388 and 84.377, Special Improvement Grants Cluster, as described in finding numbers 2013-1 and 2013-2 regarding allocation and direct charges of employee salaries and wages. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

Qualified Opinion on CFDA 84.388 and 84.377, Special Improvement Grants Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.388 and 84.377, Special Improvement Grants Cluster for the year ended September 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2013.

Other Matters

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2 that we consider to be significant deficiencies.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Monroe P.A.



Tallahassee, Florida
March 26, 2014

Tallahassee, Florida

**LEON COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor Number	Amount of Expenditures
<u>Pass-through Florida Department of Agriculture and Consumer Services</u>			
Team Nutrition Grants	10.574	301	24,236
Specialty Crop Block Grant	10.170	n/a	1,689
<u>Child Nutrition Cluster</u>			
Food Donation	10.555	n/a	703,680
 <u>Pass-through Florida Department of Education:</u>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	10.553	321	1,784,093
National School Lunch Program	10.555	300,350	6,186,271
Summer Food Service Program for Children	10.559	323	290,319
Total Child Nutrition Cluster			<u>8,964,363</u>
 Fresh Fruit and Vegetable Program	 10.582	 n/a	 <u>102,161</u>
 <u>Pass-through Florida Department of Financial Services:</u>			
Schools and Roads-Grants to States	10.665	n/a	<u>56,955</u>
Total United States Department of Agriculture			<u>9,149,404</u>
 <u>United States Department of Defense</u>			
<u>Direct Programs:</u>			
Air Force Junior Reserve Officer Training Corps	None	n/a	58,444
Army Junior Reserve Officer Training Corps	None	n/a	69,715
Navy Junior Reserve Officer Training Corps	None	n/a	64,111
Marine Corps Junior Reserve Officer Training Corps	None	n/a	<u>73,578</u>
Total United States Department of Defense			<u>265,848</u>
 <u>United States Department of Education</u>			
<u>Direct Programs:</u>			
<u>Student Financial Assistance Cluster:</u>			
Federal Supplemental Educational Opportunity Grants	84.007	n/a	30,555
Federal Pell Grant Program	84.063	n/a	2,118,294
Total Student Financial Assistance Cluster			<u>2,148,849</u>
Total Direct Programs			<u>11,564,101</u>
 <u>Indirect Programs:</u>			
<u>Pass-through Florida Department of Education:</u>			
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	262, 263	8,083,916
Special Education - Preschool Grants	84.173	266, 267	651,134
Total Special Education Cluster			<u>8,735,050</u>
 <u>Special Improvement Grants Cluster:</u>			
School Improvement Grants	84.377	126	1,116,113
ARRA-School Improvement Grants	84.388	126	679,370
Total School Improvements Grants Cluster			<u>1,795,483</u>
 <u>Title I, Part A Cluster:</u>			
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	9,241,251
 ARRA-State Fiscal Stabilization Fund- Race-To-The-Top Incentive Grants			
	84.395	RL111, RD211, RS611, RG311, RG411	544,685
ARRA-Education Jobs Fund	84.410	541	99,238
Adult Education - Basic Grants to States	84.002	191, 193	304,550
Career and Technical Education- Basic Grants to States	84.048	161	591,124
Education for Homeless Children and Youth	84.196	127	66,978

**LEON COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass- Through Grantor Number	Amount of Expenditures
Charter Schools	84.282	298	175,000
Twenty-First Century Community Learning Centers	84.287	244	1,724,545
English Language Acquisition State Grants	84.365	102	73,668
Improving Teacher Quality State Grants	84.367	224	1,598,448
Total Indirect Programs			<u>24,950,020</u>
Total United States Department of Education			<u>27,098,869</u>
<u>United States Department of Energy</u>			
Pass-through Florida Office of the Governor: ARRA-State Energy Program	81.041	n/a	90,251
<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	34,653
Child Care and Development Fund Cluster: Child Care and Development Block Grant	93.575	SR040	39,683
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	SR040	47,785
Total Child Care and Development Fund Cluster			<u>122,121</u>
Total United States Department of Health and Human Services			<u>122,121</u>
Total Expenditures of Federal Awards			<u>\$ 36,726,493</u>

Notes:

- (1) The Schedule of Expenditures of Federal Awards was prepared on the modified accrual basis of accounting.
- (2) Food Donation - Expenditures represents the amount of donated food used during the 2012-13 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:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Special Education - Grants to States	84.027	\$ 82,881
Improving Teacher Quality State Grants	84.367	16,726
Special Education - Preschool Grants	84.173	92,000
Title I Grants to Local Educational Agencies	84.010	184,528
Charter Schools	84.282	175,000
ARRA-State Fiscal Stabilization Fund - Race-To-The-Top Incentive Grants	84.395	10,963
		<u>\$ 562,098</u>

**LEON COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Section I -- Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified not considered to be material weaknesses? Yes

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? Yes

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

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a)? Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Programs</u>
	United States Department of Education
	Pass through Florida Department of Education
	Special Education Cluster:
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
	School Improvement Grant Cluster:
	Pass through Florida Department of Education
84.377	School Improvement Grants
84.388	ARRA-School Improvement Grants
	Pass through Florida Department of Education
84.287	Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between Type A and Type B programs: \$1,101,795

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

Refer to finding number 2013-1 and 2013-2 in Section III.

**LEON COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Questioned
Costs**

SECTION III - Findings and Questioned Costs - Major Federal Award Programs (continued)

Finding 2013-1

United States Department of Education
Pass-Through Florida Department of Education
Special Improvement Grants Cluster - ARRA- School Improvement Grants CFDA 84.388

Criteria: Per OMB Circular A-87, where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on: a) more than one Federal award, b) a Federal award and a non Federal award, c) an indirect cost activity and a direct cost activity, d) two or more indirect activities which are allocated using different allocation bases, or e) an unallowable activity and a direct or indirect cost activity.

Condition: Time and effort logs or other Circular approved supporting documentation was not provided for salary expense for multiple teachers receiving supplemental pay (equivalent to 1/2 hour of the school day) at Godby High School totaling \$303,365 for the fiscal year ended June 30, 2013.

\$ 303,365

Context: The questioned costs of \$303,365 represent the total amount of supplemental pay for the year ended June 30, 2013 under the ARRA- School Improvement Grants, CFDA# 84.388.

Effect: Noncompliance with Allowable Costs/Cost Principles - Compensation of Personnel Services

Cause: Oversight

Recommendation: The District should enhance its procedures to ensure all salaries and wages paid with federal awards are supported by the appropriate documentation outlined in OMB Circular A-87. Personnel activity reports should be signed by the employee. The reports should be reviewed and approved by supervisor, official having first hand knowledge of the work performed by the employee.

Views of Responsible Officials and Planned Corrective Actions: The District will enhance procedures to ensure all employee salaries paid with federal awards are supported by appropriate documentation as outlined in OMB Circular A-87. Reports will be reviewed by the Special Services Office Director, Special Services Office Accountant, and school bookkeeper to ensure report accuracy.

**LEON COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Questioned
Costs**

SECTION III - Findings and Questioned Costs - Major Federal Award Programs (continued)

Finding 2013-2

United States Department of Education
Pass-Through Florida Department of Education
Special Improvement Grants Cluster - School Improvement Grants CFDA 84.377

Criteria: Per OMB Circular A-87, where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

Condition: Time and effort logs were completed by 5 employees which showed 12% of their time being attributed to the School Improvement Grant (CFDA# 84.377) although the payroll records indicate 100% of their time was charged to the grant. Additionally, District personnel provided us with semi-annual certifications for 6 employees (including the 5 above) indicating 100% of their time was charged to the grant. These semi-annual certifications were certified (signed) by the Principal at the school listed in the grant agreement where the program was administered.

N/A

Context: The semi-annual certifications were requested for all 6 employees that are 100% funded from the School Improvement Grant. For all 6 employees, time and effort logs were provided for 3 months: October 2012, February 2013 and May 2013. Five of the six employees had at least one instance of an incorrect percentage on their time and effort log as indicated above. The remaining employee had time and effort logs for October 2012 and May 2013 which indicated 100% of the employee's salary was charged to the School Improvement Grant, in agreement with the payroll records. The February 2013 log for that employee did not indicate the grant charged.

Effect: Noncompliance with Allowable Costs/Cost Principles - Compensation of Personnel Services

Cause: Oversight

Recommendation: The District should enhance its procedures to ensure all salaries and wages paid with federal awards are supported by the appropriate documentation outlined in OMB Circular A-87.

Views of Responsible Officials and Planned Corrective Actions: The District will enhance procedures to ensure all employee salaries paid with federal awards are supported by appropriate documentation as outlined in OMB Circular A-87. Reports will be reviewed by the Special Services Office Director, Special Services Office Accountant, and school bookkeeper to ensure report accuracy.

See the independent auditors' report on the financial statements.

**LEON COUNTY DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Programs - 2012

There were no prior Federal audit findings.

See the independent auditors' report on the financial statements.

Other

Management Letter

Superintendent of Schools
Leon County District School Board Members

We have audited the basic financial statements of the Leon County District School Board (the District) as of and for the fiscal year ended June 30, 2013, and have issued our report thereon dated March 26, 2014.

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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 26, 2014, 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

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.

During current year testing, we noted similar conditions (see Current Year Comments and Recommendations, Finding 13-02).

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.

During the current year, we noted that the calculation is not being reviewed or tested for compliance (see Current Year Comments and Recommendations, Finding 13-01).

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.

During the current year, we noted numerous adjustments that had to be made to the District’s 12-13 fiscal year annual financial report, as presented for audit (see Current Year Comments and Recommendations, Finding 13-01).

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.

We noted similar findings for the internal accounts during the current year audit. (see Current Year Comments and Recommendations, Finding 13-07).

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 disbursements 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.

We noted similar findings during the current year audit (see Current Year Comments and Recommendations, Finding 13-08).

12-13 Internal Accounts – Receipts

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

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.

We noted similar findings during the current year audit. (see Current Year Comments and Recommendations, Finding 13-09).

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*.

We noted similar findings during the current year audit. (see Current Year Comments and Recommendations, Finding 13-10).

Current Year Comments and Recommendations

13-01 Financial Reporting

Our review of the District's 2012-13 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 decreased net assets at the government fund level by \$738,000. Schedules generated from departments outside of finance were not proofed or checked before being recorded in the annual financial report.

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 financial information submitted to the Florida Department of Education are correctly stated.

Management response: The Director of Finance will test items in the data generated from the Skyward system to gain comfort the calculation is accurate. Additionally, we will put a process in place for an independent review of the Annual Financial Report (AFR) prior to submission. The employee performing this review will be independent of the preparation of the AFR and will agree amounts reported in the AFR to supporting documentation, including reports provided by departments other than finance.

13-02 Purchase Card Transactions

Six 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 or an expense memo as required by District policy. 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: District policy pertaining to the approval of monthly PCard statements will continue to be reinforced with the District personnel responsible for review and approval of purchasing card transactions.

13-03 Payroll Segregation of Duties

We noted during our testing in the current year audit that individual school bookkeepers have the ability to change pay rates in the Skyward system for hourly employees that work at the school sites. We recommend that this access for school bookkeepers be removed. This would reduce the likelihood of misstatements in payroll for hourly school employees.

Management Response: The Payroll Department is in the process of implementing a process to compare the rates of pay for Hourly and OPS employees entered onto the worksheets by bookkeepers against the rates of pay entered into Employee Management by HR staff. Any incorrect rates of pay will be corrected by Payroll Staff. Additionally, we have requested that Skyward provide us with the capability.

13-04 Disbursements Segregation of Duties

During our testing of internal controls, we noted a lack of segregation of duties for an employee in the finance department. The employee has access to the blank check stock, the ability to set up vendors, and is responsible for reconciling the bank statements. The employee does not regularly perform all of these functions, but has the access and ability to do so. We recommend that one of these functions be removed from the employee. This would strengthen the internal controls over the cash disbursement process by providing for adequate segregation of duties.

Management response: The bank reconciliation process will be removed from the employee.

13-05 Policies and Procedures for Construction Procurement and Project Amount Determination

During the current year audit, we noted a lack of policies and procedures for the awarding of construction contracts below \$2 million to “pre-qualified” Construction Management Entities (CMEs). Florida Statutes permit the use of CMEs when construction costs do not exceed \$2 million, however, these construction projects should be awarded to the most highly qualified CME. The procedure to award certain projects to a CME was not defined or documented. We recommend that the District adopt policies and procedures describing the selection process for awarding contracts under \$2 million to a “pre-qualified” CME.

Additionally, we noted a lack of policies and procedures for the breakdown of major construction projects in excess of \$2 million into projects which are less than the \$2 million threshold. The District had various reasons for dividing the construction work at sites into individual projects; however, this was not documented. We recommend that the District adopt a policy of how project amounts will be determined. The policy should include a description of how the construction amounts listed in the Educational Plant Five Year Survey Report and the Report from the Capital Improvements Review Team is divided into individual contracts and project amounts.

The policies should describe the documentation of these processes and the retention of this documentation.

Management response: For several years, LCS had an informal process in place to confirm qualifications for construction management entities (CMEs). This has recently been formalized and now also provides for the submission of applications electronically. All pre-qualified firms are then ranked by the committee from top to bottom. From this point forward, when minor projects are awarded the LCS project team follows the ranking of CMEs with special consideration to the strengths of each firm and requirements of the project to ensure that a good match is made with the assignment of projects.

During development of the five-year work plan, the facilities planner engages the Director of Construction and project coordinators to define projects. A “project” includes the construction, remodeling, or renovation as defined in the scope of work and all site work incidental to the construction. It does not include work done at the site that is necessary and independent to the actual project. LCS Department of Construction is currently developing a procedure that defines this process and the role of the facility planner in defining projects.

13-06 Wage Allocation Documentation

While testing compliance requirements over major programs related to supporting documentation for salary and wage expense for the Twenty-First Century Community Learning Centers and the Special Education grants we noted the following:

- Special Education, Florida Diagnostic and Learning Resources System (FDLRS) Associate Centers’ grants contained slight discrepancies, approximately 2-3%, between the allocation percentages noted on the employees’ time and effort logs and the amounts charged in the payroll records for 2 employees out of the 6 total tested, which comprised the total employee population for the FDLRS grant.
- In the Twenty-First Century Community Learning Centers grants, of the 10 employees selected for testing for 2 months, there were 5 time and effort logs that contained discrepancies of approximately 9- 28% between the allocation noted on the log and the amount allocated per the payroll records.

We recommend the District enhance its procedures to ensure all salaries and wages paid with federal awards are supported by the appropriate documentation outlined in OMB Circular A-87. Personnel activity reports should be reviewed and approved by a supervisory official having firsthand knowledge of the work performed by the employee and reconciled to the payroll records.

Management response: The District will enhance procedures to ensure all employee salaries paid with federal awards are supported by appropriate documentation as outlined in OMB Circular A-87. Reports will be reviewed by the Special Services Office director, Special Services Office Accountant, and school bookkeeper to ensure report accuracy.

13-07 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 holds quarterly training sessions with the District Bookkeepers. Additional training will be provided to emphasize adherence to the Internal Accounts Manual. Training sessions will also include principals, assistant principals, and any other staff as needed.

13-08 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. At several schools, disbursements were withdrawn from the incorrect account.
3. Disbursements at several schools did not contain supporting documentation.
4. Several schools had disbursements where the principal did not sign the check.
5. At several schools, the principal signed a check requisition for a check that was made payable to themselves.
6. At one school, gift cards were purchased for back to school purchases for all the teachers but the log used to acknowledge receipt of the gift cards could not be located.
7. At one school, distributed gift cards were not properly being signed on the log by the teachers/staff receiving them.
8. At one school, the school did not maintain written documentation from the Parent Teacher Organization (PTO) to support PTO expenditures.

9. At one school, there was an instance where the same two employees who signed the requisition also signed the check.
10. There was one instance where the signature of the principal on the check requisition appeared inconsistent with her signature on other requisitions.
11. There was one instance where the check requisition was not approved by the principal.
12. At two schools, disbursements were approved without the check requisition being completed as required by policy.
13. At one school, a disbursement for the purchase of athletic coach shirts was described on the requisition as athletic equipment.
14. Disbursements at several schools were over \$1,500 and were not approved by the Leon County School Board Purchasing Department.
15. Three disbursements at one school included sales tax.
16. There was one instance where the item that was purchased was not represented on the Log of Athletic Purchases.
17. At several schools, tangible property and/or related installation cost disbursements exceeding the capitalization threshold were not tagged and added to the district's property register after the purchase was made and the property was delivered.
18. At several schools, the amount of the reimbursement to an employee did not match the amount on the receipt submitted for the reimbursement.
19. At one school, a disbursement for a field trip was improperly recorded in another grade's field trip account.
20. At one school, a disbursement for a reimbursement submitted included a receipt for a personal expense, which was included in the final reimbursement amount.

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. The accountant should also carefully review receipts and disbursements posted to the general ledger to ensure they have been coded to the correct account and that they exclude sales tax. Fees collected must be spent for the purposes for which they were collected. Receipt descriptions should match the descriptions on the check requisition. Gift card logs should be maintained and distribution of gift cards should be evidenced by the signature of the employee receiving the gift card. Additionally, any athletic purchase should be recorded on a log in accordance with the District's policies.

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, all purchases over \$750 for tangible property should be reported to the District's facilities management and added to the property register.

Management Response: As a part of the quarterly meetings, emphasis will be placed on following proper disbursement procedures. Schools will be reminded and retrained on the policies and procedures concerning disbursement of funds.

13-09 Internal Accounts - Receipts

We noted one instance where the Report of Monies Collected was not signed by the bookkeeper and only signed by the teacher submitting it. We also noted deposits that were incorrectly coded to a different grade level's account.

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. Report of Monies Collected should be signed by the employee submitting the funds and the employee receiving the funds to ensure proper custody of cash is followed.

Management Response: Additional training will be provided to bookkeepers on the proper handling of receipts, from writing receipts to depositing the funds.

13-10 Internal Accounts – Stale Dated Checks

We noted outstanding checks on the June 2013 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 the funds should be remitted to the Florida Department of Financial Services, Bureau of Unclaimed Property in accordance with Section 717.102, *Florida Statutes*.

Management Response: Finance will work with school sites to clear stale dated checks prior to the end of the 2013-14 fiscal year.

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*.

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

Section 10.804(1)(f)4., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we issued several comments listed above under Current Year Comments and Recommendations for improvements in financial management.

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.

Pursuant to Sections 10.804(1)(f)6.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)7., *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.

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Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Monroe P.A.



Tallahassee, Florida
March 26, 2014

Tallahassee, Florida