

**LEON COUNTY
DISTRICT SCHOOL BOARD**

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

For the Fiscal Year Ended
June 30, 2011



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2010-11 fiscal year are listed below:

	<u>District No.</u>
Forrest Van Camp	1
Dee Crumpler, Vice Chair to 11-15-10, Chair from 11-16-10	2
Maggie B. Lewis-Butler, Chair to 11-15-10	3
Dee Dee Rasmussen, Vice Chair from 11-16-10	4
Georgia "Joy" Bowen	5

Jackie Pons, Superintendent

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

The audit team leader was Gregory A. Hunt, CPA, and the audit was supervised by Cheryl B. Pueschel, CPA. For the information technology portion of this audit, the audit team leader was Deidre Melton, CISA, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

LEON COUNTY DISTRICT SCHOOL BOARD
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the District's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a significant deficiency, as summarized below. However, this significant deficiency is not considered to be a material weakness.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States; however, we noted certain additional matters as summarized below.

SIGNIFICANT DEFICIENCY

Finding No. 1: Financial reporting procedures could be improved to ensure that information is properly reported on the financial statements.

ADDITIONAL MATTERS

Finding No. 2: Extended Day Enrichment Program fee collection procedures could be strengthened.

Finding No. 3: District records did not sufficiently evidence that performance assessments of instructional personnel and school administrators were based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes (2010).

Finding No. 4: The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010), and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes (2010).

Finding No. 5: The District's monitoring of purchasing card credit limits needed improvement.

Finding No. 6: The District did not always procure construction management services in accordance with Section 287.055, Florida Statutes.

Finding No. 7: Controls over facilities construction and maintenance activities could be enhanced.

Finding No. 8: The District did not deactivate the information technology (IT) access privileges of some former employees in a timely manner.

Finding No. 9: Contrary to the requirements of the State of Florida, *General Records Schedule*, the District did not retain some IT application access control records.

Finding No. 10: The District had not developed a written, comprehensive IT risk assessment.

Finding No. 11: The District's IT security controls related to user authentication needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Part A Cluster; Special Education Cluster; School Improvement Grants Cluster; State Fiscal Stabilization Fund Cluster; and Education Jobs Fund programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal program. However, we did note a noncompliance and control deficiency finding as summarized below.

Federal Awards Finding No. 1: The District did not always maintain semiannual certifications or monthly activity reports for employees whose time was charged solely or partially to the Title I program.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in previous audit reports.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2011. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Leon County District School Board, as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 15 percent of the assets and 32 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and aggregate discretely presented component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Leon County District School Board as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Leon County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, BUDGETARY COMPARISON SCHEDULE - GENERAL AND MAJOR SPECIAL REVENUE FUNDS, SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
March 1, 2012

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, 2011.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-11 fiscal year are as follows:

- The assets of the District exceeded its liabilities at the close of the 2010-11 fiscal year by \$241.7 million.
- Total revenues of \$340.5 million were comprised of general revenues in the amount of \$314.2 million, or 92.3 percent, and program specific revenues from charges for services and grants and contributions in the amount of \$26.3 million or 7.7 percent.
- For the fiscal year ended June 30, 2011, the District had \$332.1 million in expenses related to governmental activities; \$26.3 million of which were offset by program specific charges for services, grants, and other sources. General revenues (primarily taxes and State funding programs) of \$314.2 million were sufficient to provide for the District's programs resulting in an increase in net assets of \$8.4 million.
- The unrestricted net asset deficit of \$7.5 million on the statement of net assets represents the excess of current and long-term future financial liabilities over current financial resources, due primarily to the unfunded liability for compensated absences and other postemployment benefits.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of \$137.6 million, an increase of \$56 million in comparison with the restated ending fund balance of \$81.6 million for the 2009-10 fiscal year. Approximately 11.9 percent of this total amount, \$16.4 million, is available for spending at the District's discretion for the purposes defined for each governmental fund (unassigned fund balance).
- Based on General Fund expenditures for the 2010-11 fiscal year of \$227.5 million, the operating cost per day, assuming 260 days, was \$875 thousand as compared to \$872 thousand for the 2009-10 fiscal year.
- At the end of the 2010-11 fiscal year, unassigned fund balance for the General Fund is \$16.4 million or 7.2 percent of total General Fund expenditures. The unassigned fund balance represents 18.7 days of operating expenditures for the 2010-11 fiscal year as compared to 17.2 days for the 2009-10 fiscal year.
- The District's total long-term debt for bonds and certificates of participation, increased by \$39.2 million or 29 percent during the current fiscal year.

OVERVIEW OF 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:

- Government-wide financial statements.
- Fund financial statements.
- Notes to financial statements.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities provides information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in 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 as governmental activities, including instruction, pupil support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes, sales taxes, State assistance, and interest and investment earnings finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities. 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 Permitting Office.

The government-wide financial statements include not only the District itself (known as the primary government), but also The Foundation for Leon County Schools, Inc., and the combined activities of the five 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 District School Board Voluntary Employee Benefits Trust (Trust) and the Leon School Board 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.

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, the governmental funds 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 funds balance sheet and the governmental funds 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 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, Special Revenue - Federal Economic Stimulus Programs Fund, Debt Service - Other Fund, Debt Service - ARRA Economic Stimulus Fund, Capital Projects - Other Fund, and Capital Projects - ARRA Economic Stimulus 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.

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 as business-type activities in the government-wide financial statements. The District uses the enterprise fund to account for the 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 private-purpose trust funds 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 Leon County District School Board 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$241.7 million at the close of the 2010-11 fiscal year. Net assets are segregated into capital assets, net of related debt; restricted net assets; and unrestricted net assets. Capital assets (e.g., land, buildings, furniture, fixtures, and equipment) are stated at cost at the time of acquisition, net of accumulated depreciation, and less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide educational and related services to its students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net assets are those that are constrained by debt covenants, enabling legislation, or other legal requirements. Unrestricted net assets is the portion of net assets that can be used to meet the District's ongoing obligations to citizens and creditors. The deficit in unrestricted net assets is primarily due to three factors:

- The District has never budgeted the amount needed to fully finance liabilities arising from property and casualty claims. The District is self-insured for these claims up to specific limits.
- The District has never had the resources currently available to budget unused employee vacation and sick days.
- Implementation of Governmental Accounting Standards (GASB) Statement No. 45 reporting began with the fiscal year ending June 30, 2008. It requires the District to disclose a liability which represents the obligation for postemployment benefits for retirees. This is an implied amount, and there currently is no available budget to fund the liability.

The intent of the government-wide statements is to provide a long-term outlook for the financial position of the District. The unrestricted net asset's deficit of \$7.5 million reflects the long-term requirement to pay for obligations

that will become due in future years. For example, the compensated absences liability totals \$27.3 million, and an estimated \$3.3 million of the liability will be due and payable in the 2011-12 fiscal year. While resources will be available to do that, \$24 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 noncurrent portion of the compensated absences liability.

The following is a summary of the District’s net assets as of June 30, 2011, compared to the net assets as of June 30, 2010:

	Net Assets, End of Year					
	Governmental		Business-Type		Total	
	Activities		Activities			
	6-30-11	6-30-10	6-30-11	6-30-10	6-30-11	6-30-10
Current and Other Assets	\$ 150,139,651.17	\$ 106,739,563.00	\$ 56,495.18	\$ 58,973.00	\$ 150,196,146.35	\$ 106,798,536.00
Capital Assets	321,560,398.28	332,246,158.00			321,560,398.28	332,246,158.00
Total Assets	471,700,049.45	438,985,721.00	56,495.18	58,973.00	471,756,544.63	439,044,694.00
Long-Term Liabilities	219,193,515.11	182,180,360.00			219,193,515.11	182,180,360.00
Other Liabilities	10,839,490.66	23,524,911.00	4,924.79	1,083.00	10,844,415.45	23,525,994.00
Total Liabilities	230,033,005.77	205,705,271.00	4,924.79	1,083.00	230,037,930.56	205,706,354.00
Net Assets:						
Invested in Capital Assets -						
Net of Related Debt	205,131,688.59	197,004,495.00			205,131,688.59	197,004,495.00
Restricted	44,078,216.75	42,554,196.00			44,078,216.75	42,554,196.00
Unrestricted (Deficit)	(7,542,861.66)	(6,278,241.00)	51,570.39	57,890.00	(7,491,291.27)	(6,220,351.00)
Total Net Assets	\$ 241,667,043.68	\$ 233,280,450.00	\$ 51,570.39	\$ 57,890.00	\$ 241,718,614.07	\$ 233,338,340.00

The District’s net assets increased in total by \$8.4 million during the 2010-11 fiscal year. Expenses for the 2009-10 fiscal year were \$331 million, and for the 2010-11 fiscal year were \$332.2, an increase of \$1.2 million. Total general revenues were \$314.2 million for the 2010-11 fiscal year, an increase of \$4.8 million over the previous fiscal year. The net property taxes increased \$2 million, grants and contributions not restricted to specific projects increased \$3.5 million, the ½ cent sales tax revenue for capital outlay decreased \$0.9 million, and other miscellaneous revenue increased \$0.3 million for the 2010-11 fiscal year. The major increase in grants and contributions was the Education Jobs Fund amount of approximately \$6.7 million. This was a Federal grant received in October 2010 to be used for teacher’s salaries. These proceeds were spent, but General Fund expenditures were reduced to effectively ensure that funds would be available for the 2011-12 fiscal year for these salaries.

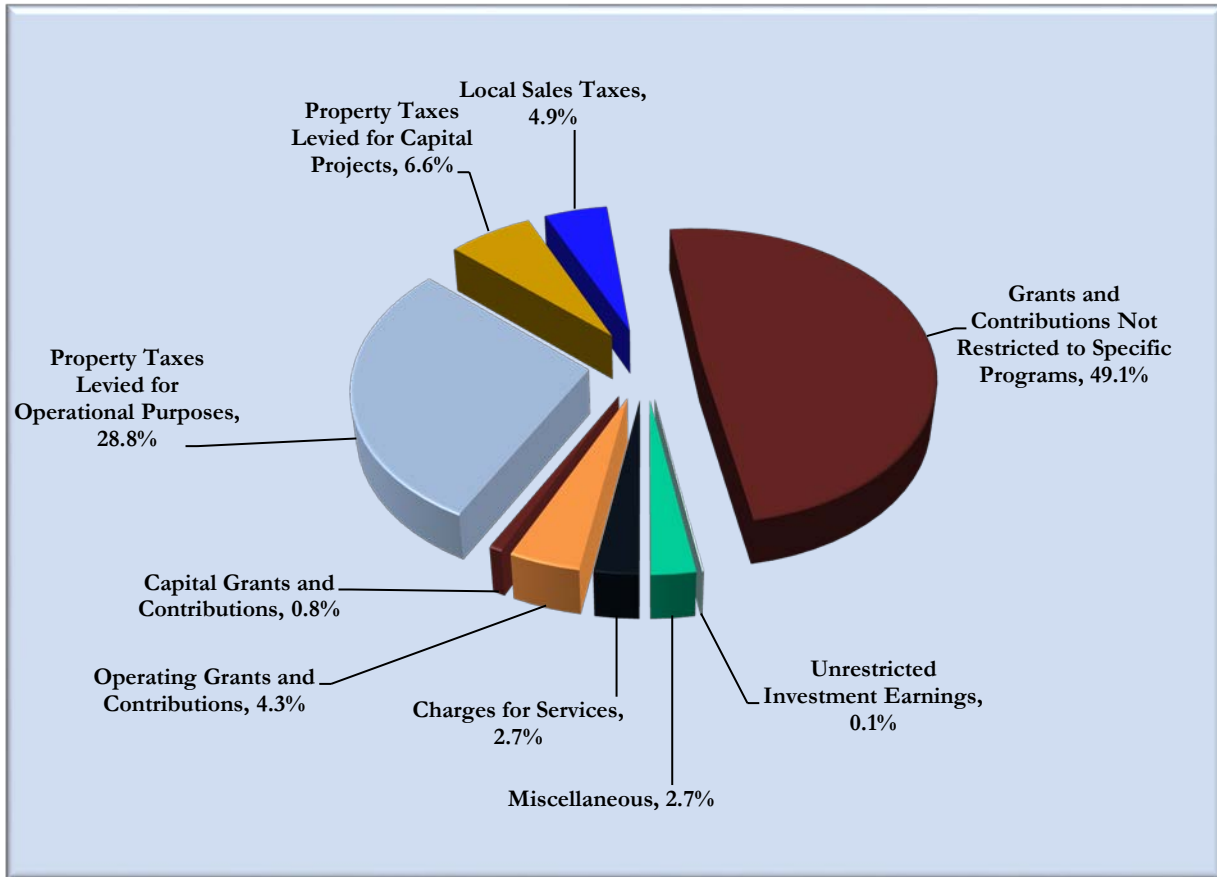
The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2011, and June 30, 2010, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities		Business-Type Activities		Total	
	6-30-11	6-30-10	6-30-11	6-30-10	6-30-11	6-30-10
Program Revenues:						
Charges for Services	\$ 9,076,311.16	\$ 8,942,732.00	\$ 64,602.11	\$ 74,981.00	\$ 9,140,913.27	\$ 9,017,713.00
Operating Grants and Contributions	14,541,761.18	8,691,462.00			14,541,761.18	8,691,462.00
Capital Grants and Contributions	2,638,930.75	1,046,972.00			2,638,930.75	1,046,972.00
General Revenues:						
Property Taxes, Levied for Operational Purposes	98,133,647.12	95,676,921.00			98,133,647.12	95,676,921.00
Property Taxes, Levied for Debt Service		21,268.00				21,268.00
Property Taxes, Levied for Capital Projects	22,530,061.09	23,007,080.00			22,530,061.09	23,007,080.00
Local Sales Taxes	16,746,946.27	17,640,000.00			16,746,946.27	17,640,000.00
Grants and Contributions Not Restricted to Specific Programs	167,259,747.28	163,783,546.00			167,259,747.28	163,783,546.00
Unrestricted Investment Earnings	525,046.07	585,181.00	130.48	124.00	525,176.55	585,305.00
Miscellaneous	9,034,898.56	8,717,158.00			9,034,898.56	8,717,158.00
Total Revenues	340,487,349.48	328,112,320.00	64,732.59	75,105.00	340,552,082.07	328,187,425.00
Functions/Program Expenses:						
Instruction	154,544,305.41	153,054,615.00			154,544,305.41	153,054,615.00
Pupil Personnel Services	10,348,993.69	10,762,080.00			10,348,993.69	10,762,080.00
Instructional Media Services	4,079,712.52	4,351,372.00			4,079,712.52	4,351,372.00
Instruction and Curriculum Development Services	13,697,490.76	14,482,161.00			13,697,490.76	14,482,161.00
Instructional Staff Training Services	1,914,544.62	1,838,248.00			1,914,544.62	1,838,248.00
Instruction Related Technology	2,216,448.01	2,091,118.00			2,216,448.01	2,091,118.00
School Board	882,797.37	883,091.00			882,797.37	883,091.00
General Administration	3,254,234.03	3,494,575.00			3,254,234.03	3,494,575.00
School Administration	19,034,275.92	18,745,123.00			19,034,275.92	18,745,123.00
Facilities Acquisition and Construction	28,921,164.14	28,449,750.00			28,921,164.14	28,449,750.00
Fiscal Services	2,013,418.98	2,026,755.00			2,013,418.98	2,026,755.00
Food Services	11,042,713.78	10,885,850.00			11,042,713.78	10,885,850.00
Central Services	6,423,841.42	6,183,287.00			6,423,841.42	6,183,287.00
Pupil Transportation Services	11,133,385.21	11,147,509.00			11,133,385.21	11,147,509.00
Operation of Plant	20,573,969.80	20,531,345.00			20,573,969.80	20,531,345.00
Maintenance of Plant	8,143,996.98	8,532,365.00			8,143,996.98	8,532,365.00
Administrative Technology Services	4,223,747.08	4,354,265.00			4,223,747.08	4,354,265.00
Community Services	6,360,654.12	5,977,313.00			6,360,654.12	5,977,313.00
Unallocated Interest on Long-Term Debt	5,963,569.24	4,907,822.00			5,963,569.24	4,907,822.00
Unallocated Depreciation Expense	17,203,128.00	18,262,834.00			17,203,128.00	18,262,834.00
Loss on Disposal of Capital Assets					124,364.72	
District Permitting Office	124,364.72		71,052.26	73,596.00	71,052.26	73,596.00
Total Functions/Program Expenses	332,100,755.80	330,961,478.00	71,052.26	73,596.00	332,171,808.06	331,035,074.00
Increase (Decrease) in Net Assets	\$ 8,386,593.68	\$ (2,849,158.00)	\$ (6,319.67)	\$ 1,509.00	\$ 8,380,274.01	\$ (2,847,649.00)

The following chart depicts the distribution of revenues of the District as a whole for the 2010-11 fiscal year.

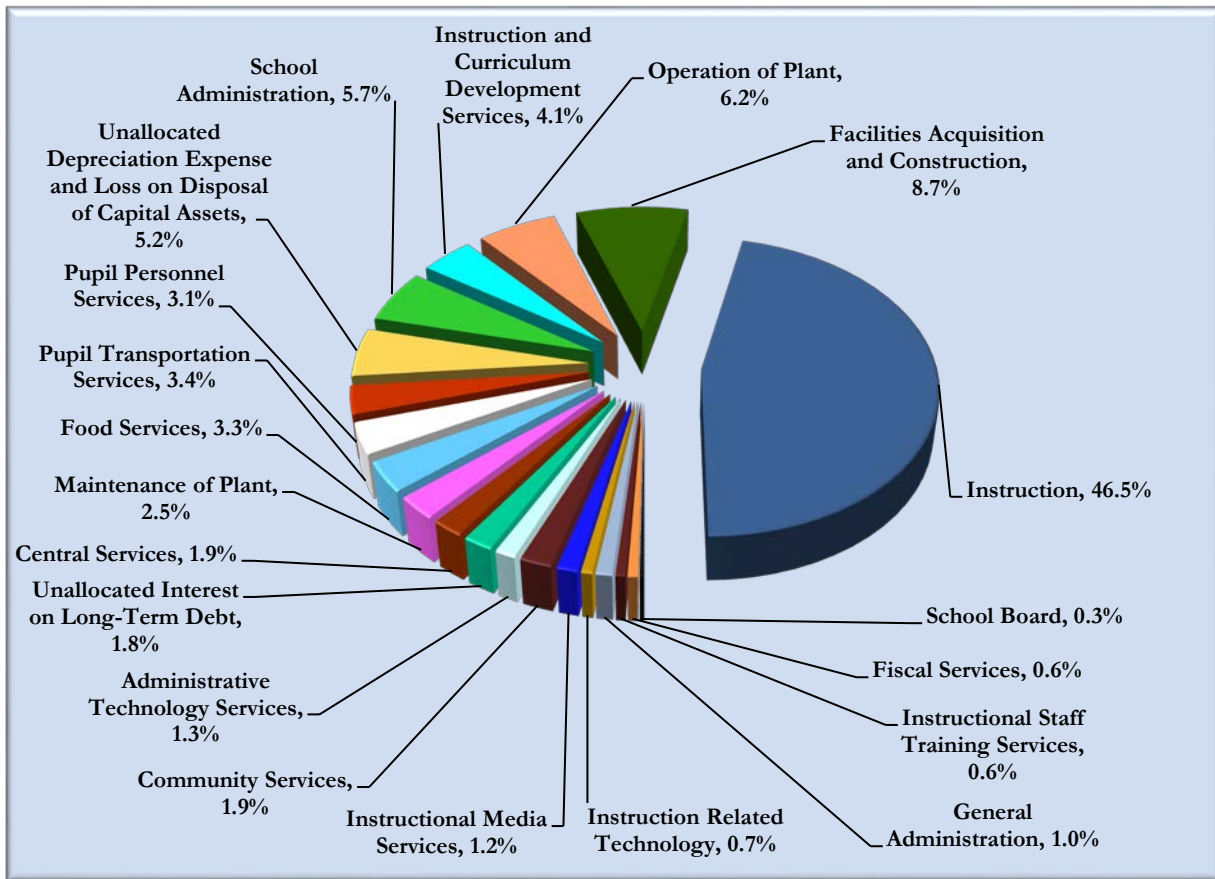
GOVERNMENTAL ACTIVITIES
REVENUES BY SOURCE – STATEMENT OF ACTIVITIES



The most significant increase during the 2010-11 fiscal year was grants and contributions not restricted to specific programs at \$3.5 million, or a 2.1 percent increase. The greatest portion of the increase in this category was the receipt of approximately \$6.7 million of Education Jobs Fund receipts in October 2010.

The following chart depicts the distribution of expenditures of the District as a whole for the 2010-11 fiscal year.

**GOVERNMENTAL ACTIVITIES
EXPENSES – STATEMENT OF ACTIVITIES**



Expenses totaled \$331 million for the 2009-10 fiscal year and \$332.1 million for the 2010-11 fiscal year. One significant increase in expenses was an increase of \$1.1 million in interest on long-term debt from \$4.9 million for the 2009-10 fiscal year to \$6 million spent for the 2010-11 fiscal year. This increase is due primarily to the payment of \$810 thousand on the Qualified Zone Academy Bonds and \$385 thousand on the Qualified School Construction Bonds. These interest payments are offset by Federal rebates of equal amounts in revenue.

BUSINESS-TYPE ACTIVITIES

Charges for services decreased due to fewer permits being issued and decreasing permitting office expenses.

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, unassigned 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 2010-11 fiscal year, the District's governmental funds' combined ending fund balances total \$137.6 million, an increase of \$56 million in comparison with the restated ending fund balance of \$81.6 million for the 2009-10 fiscal year. Approximately 11.9 percent of this total (\$16.4 million) constitutes unassigned fund balance, which is available for spending at the District's discretion. 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 (\$1.4 million); 2) fund specific State programs (\$11.4 million); 3) fund specific debt service costs (\$16.4 million); 4) fund specific capital projects (\$69.7 million); 5) fund specific special revenue purposes (\$743 thousand); 6) fund contractual commitments (\$37 thousand); and 7) assigned General Fund projects (\$21.6 million).

The General Fund is the District's main operating fund. At the end of the current fiscal year, unassigned fund balance is \$16.4 million, while the total fund balance is \$50.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 7.2 percent of total General Fund expenditures, while total fund balance represents 22.1 percent of that same amount. Total fund balance increased by \$13.2 million for the 2010-11 fiscal year compared to an increase of \$10.9 million for the 2009-10 fiscal year. Key factors in this increase are as follows:

- Education Jobs Fund proceeds of \$6.7 million were spent on teachers' salaries while the General Fund teacher expenditures were reduced by this amount so those funds could be saved to help meet the anticipated funding cliff due to the end of ARRA and other Federal stimulus funding for the 2011-12 fiscal year;
- The 0.25 critical operating millage of approximately \$4 million was reserved to cope with the end of the ARRA and other stimulus funding; and
- Strict monitoring of expenditures over \$750 during the fiscal year held expenditures to an increase of \$879 thousand, even as revenues and transfers increased \$3.2 million.

The Special Revenue – Federal Economic Stimulus Programs Fund 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 and the Education Jobs Fund program. There are three separate classifications within this fund. State Fiscal Stabilization Funds and Education Jobs Fund moneys of \$10.9 million and \$6.7 million, respectively, were allocated to shore up funding from the Legislature within the Florida Education Finance Program and used to fund teacher positions at Title I schools. Targeted stimulus funds consisted mainly of Special Education and Title I allocations and were used in accordance with those program regulations. Other stimulus funds were competitively awarded.

The Debt Service – Other Fund, which is used to account for debt issues such as certificates of participation and sales tax bonds, has a total fund balance of \$18.4 million, which is restricted to make payments on outstanding debt.

The Debt Service - ARRA Economic Stimulus Fund is used to account for the proceeds of the Qualified School Construction Bonds issued in September 2010 in the amount of \$18.6 million. These funds were subsequently transferred to the Capital Projects – ARRA Economic Stimulus Fund, which is used to account for project expenditures as they occur throughout the fiscal year.

The Capital Projects – Other Fund, which is used to account for capital project activity funded by sources such as certificates of participation, sales taxes, and class size reduction dollars, has a total fund balance of \$42.7 million, which is restricted for capital projects. The net increase in fund balance during the current fiscal year in the Capital Projects – Other Fund was \$22.5 million, and resulted primarily from the issuance of \$33.2 million of Qualified Zone Academy Bonds to finance improvements at ten schools throughout the District. See the Capital Assets and Long-Term Debt section for additional discussions.

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, 2011 is listed below:

- The overall budget for revenues in the General Fund increased by \$8.5 million over the original to the final budget, and total expenditure appropriations increased \$9.7 million or 3.8 percent over the course of the fiscal year.
- The original budget for State sources of revenues in the General Fund totaled \$121.8 million, and the final budget is greater by \$4.2 million.
- The staffing plan is allocated as closely as possible to the proper function at the beginning of the fiscal year; however, as positions are established, budget amendments are frequently made to the instruction and instructional services functions. Pupil personnel services, instructional media services, and instruction and curriculum development services each reflected increased budgets of \$1.6 million, \$0.05 million, and \$2.6 million, respectively, as a result of this process.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District’s investment in capital assets as of June 30, 2011, amounts to \$321.6 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.

Major capital asset events during the current fiscal year included the compressed natural gas fueling facility and covered play area at Astoria Park Elementary School.

Additional information on the District’s capital assets can be found in Notes 4 and 17 to the financial statements.

Capital Assets (net of depreciation)

	Governmental	
	Activities	
	6-30-11	6-30-10
Land	\$ 15,590,442.17	\$ 15,590,442.17
Improvements Other Than Buildings	11,363,665.55	11,033,222.46
Buildings and Fixed Equipment	268,836,969.98	276,940,537.40
Furniture, Fixtures, and Equipment	12,211,062.42	13,344,505.55
Motor Vehicles	8,448,508.14	8,673,907.14
Construction in Progress	3,989,970.96	5,087,973.47
Computer Software	87,759.46	117,078.75
Audio Visual Materials	1,032,019.60	1,458,492.47
Total Capital Assets	\$ 321,560,398.28	\$ 332,246,159.41

Long-Term Debt

At June 30, 2011, the District has total long-term debt outstanding of \$174.4 million. Of that total, \$16 million is considered to be general bonded debt (i.e., backed by the full faith and credit of the District). The remainder of the District’s debt consists of certificates of participation payable and State school bonds payable.

Schedule of Outstanding Debt

	Governmental	
	Activities	
	6-30-11	6-30-10
Revenue Bonds	\$ 15,992,720.31	\$ 23,255,226.69
Certificates of Participation	151,806,794.17	104,411,437.75
State School Bonds	<u>6,605,000.00</u>	<u>7,575,000.00</u>
Total Long-Term Debt	<u>\$ 174,404,514.48</u>	<u>\$ 135,241,664.44</u>

During the current fiscal year, the District’s long-term debt increased by \$39.2 million (29 percent) because of the issuance of Qualified School Construction Bonds (\$18.6 million) and Qualified Zone Academy Bonds (\$33.2 million). Both issues were structured under a Federal tax rebate program within a net interest cost of 0 percent.

The District maintains an “AA” rating from Fitch for its certificates of participation and sales tax revenue bonds, and these ratings were affirmed in December 2010. Standard & Poor’s affirmed the District’s 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 Notes 5 through 8 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The budget health for the State of Florida continues to be a concern. The unemployment rate as of July 2011 in Florida was 10.7 percent. The effects nationwide of the United States credit rating downgrade to AA+ from AAA may ultimately affect the economy in Florida. The housing market may decline further, so the assessed property value may likely decrease again next fiscal year. Property tax revenue is 43 percent of the Florida Education Finance Program, which accounts for approximately 90 percent of school operational revenues and transfers. Medicaid comprised 22.2 percent of Florida’s budget in the 2007-08 fiscal year, and is 30.7 percent of the 2011-12 fiscal year budget. Funding for K-12 education in the \$69 billion State budget for the 2011-12 fiscal year is 26.2 percent.

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 information provided in this report, or requests for additional financial information should be addressed to the Chief Financial Officer, Leon County District School Board, 2757 West Pensacola Street, Tallahassee, FL 32304-2998.

BASIC FINANCIAL STATEMENTS

**LEON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2011**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 66,072,749.33	\$ 56,495.18	\$ 66,129,244.51	\$ 984,955.00
Investments	187,814.63		187,814.63	304,500.00
Accounts Receivable	263,891.34		263,891.34	31,464.00
Due from Other Agencies	7,919,070.25		7,919,070.25	215,136.00
Prepaid Items				72,540.00
Deferred Charges	1,695,753.87		1,695,753.87	23,427.00
Inventories	1,410,637.92		1,410,637.92	
Other Assets				123,278.00
Investments in SBA Fund B Surplus Funds Trust Fund	857,136.64		857,136.64	
Restricted Assets:				
Cash				69,470.00
Cash and Cash Equivalents with Fiscal Agent	69,167,212.97		69,167,212.97	
Investments with Fiscal Agent	2,565,384.22		2,565,384.22	
Capital Assets:				
Nondepreciable Capital Assets	19,580,413.13		19,580,413.13	259,994.00
Depreciable Capital Assets, Net	301,979,985.15		301,979,985.15	2,008,918.00
TOTAL ASSETS	\$ 471,700,049.45	\$ 56,495.18	\$ 471,756,544.63	\$ 4,093,682.00
LIABILITIES				
Salaries and Benefits Payable	\$ 1,089,008.67	\$	\$ 1,089,008.67	\$ 22,177.00
Payroll Deductions and Withholdings	2,824,157.93		2,824,157.93	
Accounts Payable	6,369,237.62	4,924.79	6,374,162.41	386,739.00
Construction Contracts Payable - Retainage	395,348.03		395,348.03	
Matured Bonds Payable	3,000.00		3,000.00	
Deposits Payable	158,738.41		158,738.41	69,470.00
Deferred Revenue				158,805.00
Long-Term Liabilities:				
Portion Due Within One Year	20,935,314.29		20,935,314.29	14,740.00
Portion Due After One Year	198,258,200.82		198,258,200.82	652,945.00
Total Liabilities	230,033,005.77	4,924.79	230,037,930.56	1,304,876.00
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	205,131,688.59		205,131,688.59	1,601,227.00
Restricted for:				
State Required Carryover Programs	11,356,568.66		11,356,568.66	
Debt Service	16,446,460.03		16,446,460.03	
Capital Projects	13,413,327.02		13,413,327.02	161,566.00
Food Service	1,225,232.44		1,225,232.44	
Other Purposes	1,636,628.60		1,636,628.60	189,696.00
Unrestricted	(7,542,861.66)	51,570.39	(7,491,291.27)	836,317.00
Total Net Assets	241,667,043.68	51,570.39	241,718,614.07	2,788,806.00
TOTAL LIABILITIES AND NET ASSETS	\$ 471,700,049.45	\$ 56,495.18	\$ 471,756,544.63	\$ 4,093,682.00

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

**LEON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 154,544,305.41	\$ 5,916,665.27	\$	\$
Pupil Personnel Services	10,348,993.69			
Instructional Media Services	4,079,712.52			
Instruction and Curriculum Development Services	13,697,490.76			
Instructional Staff Training Services	1,914,544.62			
Instruction Related Technology	2,216,448.01			
School Board	882,797.37			
General Administration	3,254,234.03			
School Administration	19,034,275.92			
Facilities Acquisition and Construction	28,921,164.14			2,638,930.75
Fiscal Services	2,013,418.98			
Food Services	11,042,713.78	3,159,645.89	8,180,183.64	
Central Services	6,423,841.42			
Pupil Transportation Services	11,133,385.21		5,155,210.00	
Operation of Plant	20,573,969.80			
Maintenance of Plant	8,143,996.98			
Administrative Technology Services	4,223,747.08			
Community Services	6,360,654.12			
Unallocated Interest on Long-Term Debt	5,963,569.24		1,206,367.54	
Unallocated Depreciation	17,203,128.00			
Loss on Disposal of Capital Assets	124,364.72			
Total Governmental Activities	332,100,755.80	9,076,311.16	14,541,761.18	2,638,930.75
Business-Type Activities:				
District Permitting Office	71,052.26	64,602.11		
Total Primary Government	\$ 332,171,808.06	\$ 9,140,913.27	\$ 14,541,761.18	\$ 2,638,930.75
Component Units				
Charter Schools/Educational Foundation	\$ 10,531,731.00	\$ 276,294.00	\$ 568,586.00	\$ 471,263.00
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				
Unrestricted Investment Earnings				
Miscellaneous				
Special Items				
Extraordinary Items				
Total General Revenues, Special Items, and Extraordinary Items				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (148,627,640.14)	\$	\$ (148,627,640.14)	\$
(10,348,993.69)		(10,348,993.69)	
(4,079,712.52)		(4,079,712.52)	
(13,697,490.76)		(13,697,490.76)	
(1,914,544.62)		(1,914,544.62)	
(2,216,448.01)		(2,216,448.01)	
(882,797.37)		(882,797.37)	
(3,254,234.03)		(3,254,234.03)	
(19,034,275.92)		(19,034,275.92)	
(26,282,233.39)		(26,282,233.39)	
(2,013,418.98)		(2,013,418.98)	
297,115.75		297,115.75	
(6,423,841.42)		(6,423,841.42)	
(5,978,175.21)		(5,978,175.21)	
(20,573,969.80)		(20,573,969.80)	
(8,143,996.98)		(8,143,996.98)	
(4,223,747.08)		(4,223,747.08)	
(6,360,654.12)		(6,360,654.12)	
(4,757,201.70)		(4,757,201.70)	
(17,203,128.00)		(17,203,128.00)	
(124,364.72)		(124,364.72)	
<u>(305,843,752.71)</u>		<u>(305,843,752.71)</u>	
	(6,450.15)	(6,450.15)	
<u>(305,843,752.71)</u>	<u>(6,450.15)</u>	<u>(305,850,202.86)</u>	
			<u>(9,215,588.00)</u>
98,133,647.12		98,133,647.12	
22,530,061.09		22,530,061.09	
16,746,946.27		16,746,946.27	
167,259,747.28	130.48	167,259,877.76	8,668,801.00
525,046.07		525,046.07	26,533.00
9,034,898.56		9,034,898.56	405,565.00
			391,808.00
			40,270.00
<u>314,230,346.39</u>	<u>130.48</u>	<u>314,230,476.87</u>	<u>9,532,977.00</u>
8,386,593.68	(6,319.67)	8,380,274.01	317,389.00
<u>233,280,450.00</u>	<u>57,890.06</u>	<u>233,338,340.06</u>	<u>2,471,417.00</u>
<u>\$ 241,667,043.68</u>	<u>\$ 51,570.39</u>	<u>\$ 241,718,614.07</u>	<u>\$ 2,788,806.00</u>

**LEON COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2011**

	General Fund	Special Revenue - Federal Economic Stimulus Programs Fund	Debt Service - ARRA Economic Stimulus Fund	Debt Service - Other Fund
ASSETS				
Cash and Cash Equivalents	\$ 50,207,405.79	\$ 124,387.32	\$ 1.62	\$ 72,103.82
Investments	396,337.35			
Accounts Receivable	234,748.74			
Due from Other Funds	2,981,897.92	36,981.01		
Due from Other Agencies	1,020,822.77	2,350,742.06		
Inventories	928,628.79			
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	100,000.00		8,328.10	12,778,833.95
Investments with Fiscal Agent				2,565,384.22
TOTAL ASSETS	\$ 55,869,841.36	\$ 2,512,110.39	\$ 8,329.72	\$ 15,416,321.99
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and Benefits Payable	\$ 801,778.94	\$ 78,790.14	\$	\$
Payroll Deductions and Withholdings	2,413,797.02	225,373.23		
Accounts Payable	2,400,970.92	27,034.33		
Construction Contracts Payable - Retainage				
Due to Other Funds	41,294.59	2,180,912.69	3,100.00	950.00
Matured Bonds Payable				
Deposits Payable				
Total Liabilities	5,657,841.47	2,512,110.39	3,100.00	950.00
Fund Balances:				
Nonspendable:				
Inventory	929,715.84			
Restricted for:				
State Required Carryover Programs	11,329,232.32			
Debt Service			5,229.72	15,415,371.99
Capital Projects				
Food Service				
Total Restricted Fund Balance	11,329,232.32		5,229.72	15,415,371.99
Committed to:				
Contractual Agreements	37,127.79			
Assigned to:				
Specific Projects	21,563,770.49			
Unassigned Fund Balance	16,352,153.45			
Total Fund Balances	50,211,999.89		5,229.72	15,415,371.99
TOTAL LIABILITIES AND FUND BALANCES	\$ 55,869,841.36	\$ 2,512,110.39	\$ 8,329.72	\$ 15,416,321.99

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

Capital Projects - ARRA Economic Stimulus Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 768.24	\$ 4,479,111.21	\$ 11,188,971.33	\$ 66,072,749.33
	418,779.07	229,834.85	1,044,951.27
		29,142.60	263,891.34
	629,716.57	18,138.00	3,666,733.50
	2,600,000.00	1,733,989.13	7,705,553.96
		482,009.13	1,410,637.92
18,453,434.10	37,826,616.82		69,167,212.97
			2,565,384.22
<u>\$ 18,454,202.34</u>	<u>\$ 45,954,223.67</u>	<u>\$ 13,682,085.04</u>	<u>\$ 151,897,114.51</u>
\$	\$	\$ 208,439.59	\$ 1,089,008.67
		184,987.68	2,824,157.93
69,991.99	2,478,817.15	1,392,423.23	6,369,237.62
10,000.00	166,446.39	218,901.64	395,348.03
	629,000.31	597,959.62	3,453,217.21
		3,000.00	3,000.00
		158,738.41	158,738.41
<u>79,991.99</u>	<u>3,274,263.85</u>	<u>2,764,450.17</u>	<u>14,292,707.87</u>
		482,008.57	1,411,724.41
		27,336.34	11,356,568.66
		1,025,858.32	16,446,460.03
18,374,210.35	42,679,959.82	8,639,207.77	69,693,377.94
		743,223.87	743,223.87
<u>18,374,210.35</u>	<u>42,679,959.82</u>	<u>10,435,626.30</u>	<u>98,239,630.50</u>
			37,127.79
			21,563,770.49
			16,352,153.45
<u>18,374,210.35</u>	<u>42,679,959.82</u>	<u>10,917,634.87</u>	<u>137,604,406.64</u>
<u>\$ 18,454,202.34</u>	<u>\$ 45,954,223.67</u>	<u>\$ 13,682,085.04</u>	<u>\$ 151,897,114.51</u>

**LEON COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Total Fund Balances - Governmental Funds \$ 137,604,406.64

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. 321,560,398.28

Debt issuance costs are treated as expenditures in the fund statements, but are reported as deferred charges and amortized over the life of the debt on the government-wide statements. 1,695,753.87

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

Bonds Payable	\$ 22,597,720.31	
Certificates of Participation Payable	151,806,794.17	
Estimated Insurance Claims Payable	6,125,801.00	
Other Postemployment Benefits Payable	11,371,530.00	
Compensated Absences Payable	<u>27,291,669.63</u>	<u>(219,193,515.11)</u>

Total Net Assets - Governmental Activities \$ 241,667,043.68

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
For the Fiscal Year Ended June 30, 2011**

	General Fund	Special Revenue - Federal Economic Stimulus Programs Fund	Debt Service - ARRA Economic Stimulus Fund	Debt Service - Other Fund
Revenues				
Intergovernmental:				
Federal Direct	\$ 251,459.04	\$	\$ 385,042.62	\$ 801,669.00
Federal Through State and Local State	63,878.44 125,909,480.05	26,199,082.82		
Local:				
Property Taxes	98,133,647.12			
Local Sales Taxes				
Charges for Services - Food Service			1.92	
Miscellaneous	12,001,524.58		1.92	115.48
Total Revenues	236,359,989.23	26,199,082.82	385,044.54	801,784.48
Expenditures				
Current - Education:				
Instruction	124,914,376.64	21,723,216.09		
Pupil Personnel Services	8,412,814.29	790,203.55		
Instructional Media Services	3,981,756.07	133,866.78		
Instruction and Curriculum Development Services	7,818,916.71	594,361.77		
Instructional Staff Training Services	269,253.65	228,106.68		
Instruction Related Technology	2,116,700.52	48,479.36		
School Board	886,356.25			
General Administration	1,368,479.41	1,148,276.37		
School Administration	19,068,984.86	114,167.81		
Facilities Acquisition and Construction	1,269,033.94	22,194.00		
Fiscal Services	2,032,273.19			
Food Services				
Central Services	6,268,656.23			
Pupil Transportation Services	10,871,275.86	21,832.31		
Operation of Plant	20,645,264.59	155.51		
Maintenance of Plant	8,196,119.92			
Administrative Technology Services	4,070,325.89	184,592.40		
Community Services	4,018,237.81			
Fixed Capital Outlay:				
Facilities Acquisition and Construction	20,736.82			
Other Capital Outlay	1,251,276.75	1,189,630.19		
Debt Service:				
Principal				11,172,000.00
Interest and Fiscal Charges			505,464.82	5,495,179.41
Total Expenditures	227,480,839.40	26,199,082.82	505,464.82	16,667,179.41
Excess (Deficiency) of Revenues Over Expenditures	8,879,149.83		(120,420.28)	(15,865,394.93)
Other Financing Sources (Uses)				
Transfers In	4,360,700.47			16,370,601.76
Certificates of Participation Issued			18,597,100.00	33,209,140.00
Refunding Bonds Issued				
Premium on Refunding Bonds				
Payments to Refunded Bond Escrow Agent				
Transfers Out	(57,760.53)		(18,471,450.00)	(33,069,890.00)
Total Other Financing Sources (Uses)	4,302,939.94		125,650.00	16,509,851.76
Net Change in Fund Balances	13,182,089.77		5,229.72	644,456.83
Fund Balances, Beginning	37,029,910.12			12,205,530.94
Adjustment to Beginning Fund Balances				2,565,384.22
Fund Balances, Beginning Restated	37,029,910.12			14,770,915.16
Fund Balances, Ending	\$ 50,211,999.89	\$ 0.00	\$ 5,229.72	\$ 15,415,371.99

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

Capital Projects - ARRA Economic Stimulus Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$ 2,614,651.92	\$ 4,052,822.58
		27,110,075.22	53,373,036.48
		4,210,871.32	130,120,351.37
		22,530,061.09	120,663,708.21
	16,746,946.27		16,746,946.27
		3,159,645.89	3,159,645.89
<u>4,311.23</u>	<u>143,723.63</u>	<u>103,140.80</u>	<u>12,252,817.64</u>
<u>4,311.23</u>	<u>16,890,669.90</u>	<u>59,728,446.24</u>	<u>340,369,328.44</u>
		9,192,512.87	155,830,105.60
		1,232,660.18	10,435,678.02
		1,663.48	4,117,286.33
		5,412,659.44	13,825,937.92
		1,426,754.38	1,924,114.71
		70,240.35	2,235,420.23
			886,356.25
		747,714.96	3,264,470.74
		38,995.52	19,222,148.19
		12,491.00	1,303,718.94
			2,032,273.19
		11,084,403.51	11,084,403.51
		204,655.54	6,473,311.77
		320,980.99	11,214,089.16
		7,520.07	20,652,940.17
		4,259.35	8,200,379.27
			4,254,918.29
		2,361,664.05	6,379,901.86
101,550.88	19,653,352.97	11,366,403.72	31,142,044.39
		680,713.32	3,121,620.26
		980,000.00	12,152,000.00
		<u>405,861.56</u>	<u>6,406,505.79</u>
<u>101,550.88</u>	<u>19,653,352.97</u>	<u>45,552,154.29</u>	<u>336,159,624.59</u>
<u>(97,239.65)</u>	<u>(2,762,683.07)</u>	<u>14,176,291.95</u>	<u>4,209,703.85</u>
18,471,450.00	33,069,890.00	57,760.53	72,330,402.76
			51,806,240.00
		820,000.00	820,000.00
		119,026.30	119,026.30
		(942,758.14)	(942,758.14)
	<u>(7,787,711.72)</u>	<u>(12,943,590.51)</u>	<u>(72,330,402.76)</u>
<u>18,471,450.00</u>	<u>25,282,178.28</u>	<u>(12,889,561.82)</u>	<u>51,802,508.16</u>
18,374,210.35	22,519,495.21	1,286,730.13	56,012,212.01
	20,160,464.61	9,630,904.74	79,026,810.41
			2,565,384.22
	<u>20,160,464.61</u>	<u>9,630,904.74</u>	<u>81,592,194.63</u>
<u>\$ 18,374,210.35</u>	<u>\$ 42,679,959.82</u>	<u>\$ 10,917,634.87</u>	<u>\$ 137,604,406.64</u>

**LEON COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

Net Change in Fund Balances - Governmental Funds \$ 56,012,212.01

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year. (10,561,396.41)

The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets. (124,364.72)

Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceed repayments in the current fiscal year.

Bonds Issued	\$ (939,026.30)	
COPs Issued	(51,806,240.00)	
Bond Principal Payments	9,171,532.68	
COPs Principal Payments	<u>4,410,883.58</u>	(39,162,850.04)

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. (44,721.57)

Change in value on investments is for further payment of bonds. This income is reflected in the statement of activities. 118,021.04

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year. 1,730,940.37

Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year. (1,248,182.00)

The net change in the liability for estimated insurance claims is reported in the government-wide statements, but not in the governmental funds statements. 1,666,935.00

Change in Net Assets - Governmental Activities \$ 8,386,593.68

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

**LEON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
June 30, 2011**

Business-Type
Activities -
Nonmajor
Enterprise Fund
District Permitting
Office

ASSETS

Current Assets:

Cash and Cash Equivalents \$ 56,495.18

TOTAL ASSETS \$ 56,495.18

LIABILITIES

Current Liabilities:

Accounts Payable \$ 4,924.79

NET ASSETS

Unrestricted 51,570.39

TOTAL LIABILITIES AND NET ASSETS \$ 56,495.18

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

**LEON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2011**

	Business-Type Activities - Nonmajor Enterprise Fund <hr style="width: 100%;"/> District Permitting Office <hr style="width: 100%;"/>
OPERATING REVENUES	
Charges for Services	\$ 64,602.11
OPERATING EXPENSES	
Purchased Services	67,319.98
Materials and Supplies	3,332.28
Other Expenses	400.00
Total Operating Expenses	<u>71,052.26</u>
Operating Loss	<u>(6,450.15)</u>
NONOPERATING REVENUES	
Interest Revenue	<u>130.48</u>
Change in Net Assets	(6,319.67)
Total Net Assets - Beginning	<u>57,890.06</u>
Total Net Assets - Ending	<u>\$ 51,570.39</u>

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

**LEON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2011**

	Business-Type Activities - Nonmajor Enterprise Fund <hr/> District Permitting Office <hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Services	\$ 64,604.11
Cash Payments to Suppliers for Goods and Services	<u>(67,212.89)</u>
Net Cash Used by Operating Activities	<u>(2,608.78)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>130.48</u>
Net Decrease in Cash and Cash Equivalents	(2,478.30)
Cash and Cash Equivalents, Beginning	<u>58,973.48</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 56,495.18</u></u>
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	<u>\$ (6,450.15)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Due From Other Funds	2.00
Decrease in Due to Other Funds	(793.00)
Increase in Accounts Payable	<u>4,632.37</u>
Total Adjustments	<u>3,841.37</u>
Net Cash Used by Operating Activities	<u><u>\$ (2,608.78)</u></u>

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

**LEON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
June 30, 2011**

	Other Employee Benefits Trust Fund	Private-Purpose Trust Funds	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 8,201,347.09	\$ 56,650.21	\$ 4,412,802.61
Investments	19,891.10		
Accounts Receivable	30,961.82		
Due from Other Agencies	2,024,339.80		
TOTAL ASSETS	\$ 10,276,539.81	\$ 56,650.21	\$ 4,412,802.61
LIABILITIES			
Salaries and Benefits Payable	\$ 482,655.47	\$	\$
Payroll Deductions and Withholdings	5,962,551.75		
Due to Other Funds			213,516.29
Internal Accounts Payable			4,199,286.32
Total Liabilities	6,445,207.22		\$ 4,412,802.61
NET ASSETS			
Assets Held in Trust for Scholarships and Other Purposes	3,831,332.59	56,650.21	
TOTAL LIABILITIES AND NET ASSETS	\$ 10,276,539.81	\$ 56,650.21	

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

**LEON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2011**

	Other Employee Benefits Trust Fund	Private-Purpose Trust Funds
ADDITIONS		
Contributions:		
Plan Members	\$ 14,261,821.84	\$
Employer	<u>16,607,553.70</u>	<u> </u>
Total Contributions	<u>30,869,375.54</u>	<u> </u>
Investment Earnings:		
Interest, Dividends, and Other	<u>32,471.39</u>	<u>152.86</u>
Total Additions	<u>30,901,846.93</u>	<u>152.86</u>
DEDUCTIONS		
Payments to Providers	30,565,055.26	
Purchased Services	<u>10,038.00</u>	<u> </u>
Total Deductions	<u>30,575,093.26</u>	<u> </u>
Change in Net Assets	326,753.67	152.86
Net Assets - Beginning	<u>3,504,578.92</u>	<u>56,497.35</u>
Net Assets - Ending	<u>\$ 3,831,332.59</u>	<u>\$ 56,650.21</u>

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

**LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Leon County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Leon County School District (District) is considered part of the Florida system of public education. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Leon County.

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

Based on the application of these criteria, the following component units are included within the District'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 5. Due to the substantive economic relationship between the District and the Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the Corporation are not published.

- **Discretely Presented Component Units.** The component unit 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. (Foundation); The Bethel Empowerment Foundation, Inc.; The School of Arts and Sciences Foundation, Inc.; Life Skills Center - Leon County, Inc.; Imagine School at Evening Rose; and Stars Education Services 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, 2011, was performed and the audit report is available at the District office.

**LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

The Bethel Empowerment Foundation, Inc., conducting business as the C.K. Steele-Leroy Collins Community Charter Middle School; The School of Arts and Sciences Foundation, Inc.; Life Skills Center - Leon County, Inc.; and Stars Education Services Inc. (Charter Schools), are separate, not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. 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 Legislatively-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, 2011, 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 assets and the statement of activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the District and its component units. The statements distinguish between governmental activities of the District and those that are considered business-type activities.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities and for each segment of the business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

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

The effects of interfund activity have been eliminated from the government-wide financial statements, except for the net residual amounts between governmental and business-type activities.

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- 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 (CONTINUED)
JUNE 30, 2011**

- 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 and 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 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 for 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, 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.

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become 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

**LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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 as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989, and applicable standards issued by GASB. Proprietary funds distinguish operating revenues and expenses from nonoperating 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 fund relate to the services provided by the District Permitting Office. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

The Foundation, shown as a discretely presented component unit, is accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized 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 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 SBA restructured Florida PRIME to also establish 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 0.78965331 at June 30, 2011. 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 distributions from Fund B are available as liquid balance within Florida PRIME.

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

**LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Warehouse, Maintenance, and Transportation inventories are stated on a weighted, moving-average basis. Food service inventories are stated at the last invoice price, which approximates the first-in, first-out basis, except that the 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 so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$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 Lives</u>
Building Improvements	8 - 35 years
Buildings	40 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials	3 - 5 years
Computer Software	5 years

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

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets. Bonds payable and certificates of participation payable are reported net of 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

**LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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

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

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

➤ **State Revenue Sources**

Revenues from State sources for current operations include 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.

The State provides financial assistance to administer certain educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same 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 2010 tax levy on September 7, 2010. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

Taxes become a lien on the property on January 1, and are delinquent on April 1, of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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

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 5, 2002, the voters of Leon County (County) approved a one-half cent school capital outlay surtax on sales in the County for ten years, effective January 1, 2006, 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.

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

3. INVESTMENTS

As of June 30, 2011, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Fund B Surplus Funds Trust Fund (Fund B)	7.16 Year Average	\$ 877,027.74
Debt Service Accounts	6 Months	187,814.63
United States Treasury Securities (1)	November 2013 - April 2029	2,565,384.22
Fidelity Institutional Money Market Fund - Federal Government Portfolio - Class I (2)	44 Day Average	5,297,518.16
Fidelity Institutional Money Market Fund - Treasury Portfolio - Class III (2)	36 Day Average	56,280,050.92
Total Investments, Primary Government		<u>\$ 65,207,795.67</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 5).
 (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, 2011. The WAL, based on expected future cash flows of Fund B at June 30, 2011, is estimated at 7.16 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL.

Credit Risk

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Section 218.415(17), Florida Statutes, authorizes the District to invest in the SBA Local Government Surplus Funds Trust Fund Investment Pool, known as Florida PRIME, 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 in 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 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 SBA for managing interest rate risk and credit risk for this account.

**LEON COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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- 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 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 \$2,565,384.22 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.

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 15,590,442.17	\$	\$	\$ 15,590,442.17
Construction in Progress	5,087,973.47	757,955.89	1,855,958.40	3,989,970.96
Total Capital Assets Not Being Depreciated	20,678,415.64	757,955.89	1,855,958.40	19,580,413.13
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	33,048,461.80	1,721,058.48		34,769,520.28
Buildings and Fixed Equipment	420,842,239.55	1,747,947.88		422,590,187.43
Furniture, Fixtures, and Equipment	53,464,772.34	2,927,006.15	3,054,084.41	53,337,694.08
Motor Vehicles	21,797,143.45	1,336,743.59	540,817.18	22,593,069.86
Audio Visual Materials	3,806,587.20	6,978.00		3,813,565.20
Computer Software	1,649,139.30		347,752.28	1,301,387.02
Total Capital Assets Being Depreciated	534,608,343.64	7,739,734.10	3,942,653.87	538,405,423.87
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	22,015,239.34	1,390,615.39		23,405,854.73
Buildings and Fixed Equipment	143,901,702.15	9,851,515.30		153,753,217.45
Furniture, Fixtures, and Equipment	40,120,266.79	3,948,471.76	2,942,106.89	41,126,631.66
Motor Vehicles	13,123,236.31	1,549,755.39	528,429.98	14,144,561.72
Audio Visual Materials	2,348,094.73	433,450.87		2,781,545.60
Computer Software	1,532,060.55	29,319.29	347,752.28	1,213,627.56
Total Accumulated Depreciation	223,040,599.87	17,203,128.00	3,818,289.15	236,425,438.72
Total Capital Assets Being Depreciated, Net	311,567,743.77	(9,463,393.90)	124,364.72	301,979,985.15
Governmental Activities Capital Assets, Net	\$ 332,246,159.41	\$ (8,705,438.01)	\$ 1,980,323.12	\$ 321,560,398.28

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

5. CERTIFICATES OF PARTICIPATION

The District entered into a financing agreement dated 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.

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

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

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

On March 6, 2008, the master financing arrangement was amended and the Corporation issued COPs, Series 2008 Qualified Zone Academy Bonds (QZABs), in the amount of \$5,000,000. These QZABs were issued to secure financing of improvements to be made at three District schools.

On July 25, 2008 the master financing arrangement was amended and the Corporation issued COPs, Series 2008B Qualified Zone Academy Bonds (QZABs) in the amount of \$15,000,000. These QZABs were issued to secure financing of improvements to be made at three District schools.

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

On December 28, 2010 the master financing arrangement was amended and the Corporation issued COPs, Series 2010 Qualified Zone Academy Bonds (QZABs), in the amount of \$33,209,140. These QZABs were issued to secure financing of improvements to be made at ten District schools.

As a condition of the financing arrangement, the District has given a ground lease on District properties to the Corporation, with a rental fee of \$10 per year. The initial terms of the lease are approximately 35 years commencing on October 1, 1997 (Series 1997 COPs); 16 years commencing on November 1, 2004 (Series 2004 QZABs); 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 QZABs); 15 years commencing on July 25, 2008, (2008B QZABs); 15 years commencing on July 1, 2012 (Series 2010 QSCBs); and 18 years commencing on December 1, 2011 (Series 2010 QZABs). The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the ground lease agreement for the benefit of the securers of the COPs for a period of time specified by the arrangement which may be up to 35 years for the date of inception of the arrangement.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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District properties included in the ground lease under this arrangement include the Lawton Chiles High School (Series 1997 COPs and Series 2005, COPs, Refunding); technology equipment at 24 district school sites as listed in the lease schedule for the Series 2004 QZABs; Montford Middle School, Conley Elementary School, Pineview Elementary School, Deerlake Middle School, Killlearn Lakes Elementary School, Lawton Chiles High School, and Lincoln High School (Series 2006 COPs); and technology-related improvements at Riley Elementary School, Griffin Middle School, and Godby High School (Series 2008A QZABs and 2008B QZABs); new construction at Gilchrist Elementary School, Killlearn Lakes Elementary School, Kate Sullivan Elementary School, and Gretchen Everhart School (Series 2010 QSCBs); and renovations at Astoria Park Elementary School, Canopy Oaks Elementary School, Woodville Elementary School, Fairview Middle School, Raa Middle School, and Rickards High School (Series 2010 QZABs).

The Series 2004 QZABs mature on November 23, 2020, with interest paid by the Federal government in the form of annual tax credits to the holders of the COPs. The lease payments for the Series 2005, COPS Refunding, and Series 2006 COPS are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 3 to 4.25 percent and 3.8 to 4.5 percent, respectively. The lease payments for the Series 2008A QZABs are payable annually on March 9, at a fixed interest rate of 0.19 percent. The lease payments for the Series 2008B QZABs are payable annually on July 25 at a fixed interest rate of 1.7 percent. The lease payments for the Series 2010 QSCBs are payable annually on July 1 at a fixed rate of 4.84 percent. The lease payments for the Series 2010 QZABs are payable annually on December 1 at a fixed interest rate of 5.68 percent. Both the Series 2010 QSCBs and the Series 2010 QZABs receive a Federal subsidy at the same rate of interest as the bond, resulting in a net zero percent cost to the District.

The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30, 2011:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 14,219,595.75	\$ 7,825,899.29	\$ 6,393,696.46
2013	14,199,142.95	7,960,899.29	6,238,243.66
2014	14,175,075.15	8,100,899.29	6,074,175.86
2015	14,152,167.34	8,250,899.28	5,901,268.06
2016	14,134,337.04	8,410,899.28	5,723,437.76
2017-2021	73,626,131.29	48,082,496.40	25,543,634.89
2022-2026	67,082,688.45	47,890,496.40	19,192,192.05
2027-2029	20,659,798.13	14,442,750.77	6,217,047.36
Total Minimum Lease Payments	<u>\$ 232,248,936.10</u>	150,965,240.00	<u>\$ 81,283,696.10</u>
Add: Unamortized Premium		<u>841,554.17</u>	
Total Certificates of Participation		<u>\$ 151,806,794.17</u>	

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

6. BONDS PAYABLE

Bonds payable at June 30, 2011, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1999A	\$ 280,000.00	4.50 - 4.75	2019
Series 2005A	4,000,000.00	5.0	2017
Series 2005B, Refunding	600,000.00	5.0	2021
Series 2009A	905,000.00	4.0 - 5.0	2029
Series 2010A, Refunding	820,000.00	4.0 - 5.0	2021
District Revenue Bonds:			
Series 1999 (refunding 1971 and 1985)	450,000.00	5.19	2014
Sales Tax Revenue Bonds, 2003	<u>14,635,000.00</u>	3.00 - 5.25	2013
Total Bonds	21,690,000.00		
Add: Unamortized Bond Premiums	<u>907,720.31</u>		
Total Bonds Payable	<u><u>\$ 22,597,720.31</u></u>		

The various bonds were issued to finance capital outlay projects of the District. The following is a description of the bonded debt issues:

➤ **State School Bonds**

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

➤ **District Revenue Bonds**

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 be secured from the pari-mutuel tax proceeds distributed annually to Leon County from the State’s Pari-mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)6.a., Florida Statutes (2001)). 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 the sinking fund and reserve account.

The District has pledged a total of \$486,070.50 of sales tax revenue for the bonds equal to the amount of bond principal and interest outstanding. During the 2010-11 fiscal year, the District recognized sales tax proceeds totaling \$223,250 and expended \$161,858.25 (73 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues of \$669,750 (73 percent) are committed until final maturity of the debt, or November 1, 2013.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Sales Tax Revenue Bonds, Series 2003. These bonds are authorized by Section 212.55, Florida Statutes. These bonds are secured by a pledge of proceeds from one-half cent discretionary sales surtax levied as authorized by the voters of Leon County on November 5, 2002. The District has pledged a total of \$15,255,193.75 of sales tax revenues in connection with the District Revenue Bonds of 2003, described above. During the 2010-11 fiscal year, the District recognized sales tax revenues totaling \$16,746,946.27 and expended \$7,787,711.72 (47 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt, or July 1, 2012. Approximately 91 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2012	\$ 1,185,837.50	\$ 865,000.00	\$ 320,837.50
2013	1,183,837.50	905,000.00	278,837.50
2014	1,188,900.00	955,000.00	233,900.00
2015	1,196,262.50	1,010,000.00	186,262.50
2016	1,210,850.00	1,075,000.00	135,850.00
2017-2021	1,451,987.50	1,195,000.00	256,987.50
2002-2026	413,887.50	315,000.00	98,887.50
2027-2029	310,962.50	285,000.00	25,962.50
Total State School Bonds	8,142,525.00	6,605,000.00	1,537,525.00
District Revenue Bonds:			
2012	7,778,484.50	7,290,000.00	488,484.50
2013	7,798,677.75	7,635,000.00	163,677.75
2014	164,152.00	160,000.00	4,152.00
Total District Revenue Bonds	15,741,314.25	15,085,000.00	656,314.25
Total	\$ 23,883,839.25	\$ 21,690,000.00	\$ 2,193,839.25

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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7. DEFEASED DEBT

In prior years, the Board defeased in substance various debt issues by placing a portion of the proceeds of the new COPS and bonds in an irrevocable trust to provide for all future debt service payments on the in-substance defeased COPS and bonds. Accordingly, the trust accounts' assets and the liability for the in-substance defeased COPS and bonds are not included in the District's financial statements. The details of the in-substance defeased debt as of June 30, 2011 are as follows:

Bond Issue	Defeased Amount
District Revenue Bonds Series 1985	\$ 510,000.00
Certificates of Participation, Series 1997	<u>21,855,000.00</u>
 Total	 <u><u>\$ 22,365,000.00</u></u>

8. CHANGES IN LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Estimated Insurance Claims Payable	\$ 7,792,736.00	\$	\$ 1,666,935.00	\$ 6,125,801.00	\$ 1,654,415.00
Bonds Payable	30,830,226.69	939,026.30	9,171,532.68	22,597,720.31	8,155,000.00
Certificates of Participation Payable	104,411,437.75	51,806,240.00	4,410,883.58	151,806,794.17	7,825,899.29
Compensated Absences Payable	29,022,610.00	1,312,139.43	3,043,079.80	27,291,669.63	3,300,000.00
Other Postemployment Benefits Payable	<u>10,123,348.00</u>	<u>3,380,508.00</u>	<u>2,132,326.00</u>	<u>11,371,530.00</u>	<u></u>
Total Governmental Activities	<u><u>\$ 182,180,358.44</u></u>	<u><u>\$ 57,437,913.73</u></u>	<u><u>\$ 20,424,757.06</u></u>	<u><u>\$ 219,193,515.11</u></u>	<u><u>\$ 20,935,314.29</u></u>

For the governmental activities, estimated insurance claims, compensated absences, and other postemployment benefits are generally liquidated with resources of the General Fund.

**LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

9. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 2,981,897.92	\$ 41,294.59
Debt Service:		
ARRA Economic Stimulus Debt		3,100.00
Other		950.00
Capital Projects:		
Other	629,716.57	629,000.31
Special Revenue:		
Federal Economic Stimulus Programs	36,981.01	2,180,912.69
Nonmajor Governmental	18,138.00	597,959.62
Fiduciary Fund:		
Agency Funds		213,516.29
	<u>\$ 3,666,733.50</u>	<u>\$ 3,666,733.50</u>
Total	<u>\$ 3,666,733.50</u>	<u>\$ 3,666,733.50</u>

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 4,360,700.47	\$ 57,760.53
Debt Service:		
ARRA Economic Stimulus		18,471,450.00
Other	16,370,601.76	33,069,890.00
Capital Projects:		
ARRA Economic Stimulus	18,471,450.00	
Other	33,069,890.00	7,787,711.72
Nonmajor Governmental	57,760.53	12,943,590.51
	<u>\$ 72,330,402.76</u>	<u>\$ 72,330,402.76</u>
Total	<u>\$ 72,330,402.76</u>	<u>\$ 72,330,402.76</u>

The principal purpose of the interfund transfers were related to the transfer of Capital Projects – Local Capital Improvement Fund maintenance money to the General Fund; the transfer of Capital Projects – Local Capital Improvement Fund money and Capital Projects – Other Fund money to the debt service funds (nonmajor governmental funds) for repayment of COPs and District Sales Tax Bonds, respectively; and the transfer of COPs proceeds from the Debt Service - Other Fund to Capital Projects – Other Fund, from which the proceeds will be spent.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

10. FUND BALANCE REPORTING

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

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

➤ **Nonspendable**

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

➤ **Restricted**

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

➤ **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 at June 30, 2011.

➤ **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 \$7,200,000 for contingencies and replacing Education Jobs funding, \$4,957,205.71 for critical operating millage, \$1,199,499.53 for medical reimbursement programs, \$799,664.66 assigned for E-Rate programs, \$1,992,470.99 assigned for property casualty insurance, and \$5,414,929.60 assigned for other programs.

**LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

➤ **Unassigned**

The portion of fund balance that is residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes. The District has adopted Board Policy 6.01 which requires unassigned fund balance to equal at least 3 percent of General Fund revenues. The total unassigned portion of this fund balance is equal to 6.9 percent of General Fund revenues.

11. PRIOR PERIOD ADJUSTMENT

In previous fiscal years, the District improperly recognized \$2,565,384.22 in debt service expenditures for the 2004 QZABs. The 2004 QZAB debt matures in November 2020 and the associated debt service expenditures should be recognized at that time. The effect of this correction is an increase in beginning fund balance in the Debt Service – Other Fund of \$2,565,384.22.

12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue sources for the 2010-11 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program (FEFP)	\$ 70,190,099.00
Categorical Educational Program - Class Size Reduction	35,642,560.00
FEFP Earmarks:	
Transportation	5,155,210.00
Instructional Materials	2,719,382.00
Gross Receipts Tax (Public Education Capital Outlay)	2,475,620.00
Florida Comprehensive Assessment Test Development Grant	1,944,354.00
School Recognition	1,663,306.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,439,479.05
Food Service Supplement	160,542.00
Discretionary Lottery Funds	120,711.00
Miscellaneous	<u>8,609,088.32</u>
 Total	 <u>\$ 130,120,351.37</u>

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

**LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

13. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2010 tax roll for the 2010-11 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.536	\$ 86,814,586.00
Basic Discretionary Local Effort	0.748	11,730,005.00
Critical Operating Needs	0.250	3,920,456.00
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	23,522,738.00
Total	8.034	\$ 125,987,785.00

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

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

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

**LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

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

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2010-11 fiscal year, contribution rates were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Elected County Officers	0.00	18.64
Florida Retirement System, Special Risk	0.00	23.25
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
Florida Retirement System, Reemployed Retiree	(B)	(B)

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

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

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions to the Plan for the fiscal years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled \$17,122,418.62, \$16,378,751.38, and \$17,439,405.08, respectively, which were equal to the required contributions for each fiscal year. There were 497 PEORP participants during the 2010-11 fiscal year. Required contributions made to PEORP totaled \$1,428,547.23.

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.

**LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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 \$22,450.64 during the 2010-11 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 another entity.

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 postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2010-11 fiscal year, 292 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 \$1,695,515, which represents 1.3 percent of covered payroll.

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

**LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Description	Amount
Normal Cost (service cost for one year)	\$ 1,477,881
Amortization of Unfunded Actuarial Accrued Liability	1,938,030
Interest on Normal Cost and Amortization	108,314
Annual Required Contribution	3,524,225
Interest on Net OPEB Obligation	430,242
Adjustment to Annual Required Contribution	(573,959)
Annual OPEB Cost (Expense)	3,380,508
Contribution Toward the OPEB Cost	(2,132,326)
Increase in Net OPEB Obligation	1,248,182
Net OPEB Obligation, Beginning of Year	10,123,348
Net OPEB Obligation, End of Year	\$ 11,371,530

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2011, and the preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	\$ 7,020,588	\$ 2,567,058	36.56%	\$ 8,921,434
2009-10	3,232,059	2,030,145	62.81%	10,123,348
2010-11	3,380,508	2,132,326	63.08%	11,371,530

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

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

**LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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

The District’s OPEB actuarial valuation as of October 1, 2008, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2011, and the District’s 2010-11 fiscal year annual required contribution. This method was selected to produce the lowest OPEB liability and annual cost, and to spread the costs evenly as a percent of pay throughout the collective careers of those in the covered workforce.

Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.25 percent 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 initially 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, 2011, was 17 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 schedule of encumbrances at June 30, 2011:

Major Funds							
General	Special Revenue - Federal Economic Stimulus Programs	Debt Service - ARRA Economic Stimulus	Debt Service - Other	Capital Projects - Local Capital Improvement	Capital Projects - ARRA Economic Stimulus	Nonmajor Governmental Funds	Total Governmental Funds
\$ 562,752	\$ 0	\$ 0	\$ 0	\$ 4,215,161	\$ 1,076,033	\$ 5,990,433	\$ 11,844,379

**LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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

Project	Contract Amount	Completed to Date	Balance Committed
Moore Elementary School - New Construction	\$ 734,293.00	\$	\$ 734,293.00
Montford Middle School - New Construction	5,204,220.00	5,197,223.72	6,996.28
Transportation - New Construction	1,512,608.01	1,401,373.51	111,234.50
Transportation - Compressed Natural Gas Facility - New Construction	951,565.00	742,042.31	209,522.69
Moore Elementary School - Renovations	1,161,062.00	219,432.03	941,629.97
Griffin Middle School - Renovations	2,426,645.00	1,176,886.12	1,249,758.88
Pineview Elementary School - HVAC	763,730.17	313,982.57	449,747.60
Sealey Elementary School - HVAC	1,970,204.00	777,195.08	1,193,008.92
Deerlake Elementary School - HVAC	2,263,923.33	1,489,148.97	774,774.36
Total	\$16,988,250.51	\$11,317,284.31	\$ 5,670,966.20

18. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property protection, workers' compensation, automobile liability, and general liability coverage are being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

A liability in the amount of \$6,125,801 was actuarially determined to cover estimated incurred but not reported insurance claims payable at June 30, 2011.

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

	Fiscal-Year Liability	Claims and Changes in Estimates	Payments	Fiscal Year-End
2009-10	\$ 7,646,092.00	\$ 1,766,279.00	\$ (1,619,635.00)	\$ 7,792,736.00
2010-11	7,792,736.00	(405,966.00)	(1,260,969.00)	6,125,801.00

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

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**LEON COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2011**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 242,761.00	\$ 251,459.04	\$ 251,459.04	\$
Federal Through State and Local	15,000.00	63,878.44	63,878.44	
State	121,757,230.97	125,909,480.05	125,909,480.05	
Local:				
Property Taxes	98,715,582.00	98,133,647.12	98,133,647.12	
Miscellaneous	7,126,700.96	12,001,524.58	12,001,524.58	
Total Revenues	227,857,274.93	236,359,989.23	236,359,989.23	
Expenditures				
Current - Education:				
Instruction	146,965,323.89	148,476,165.29	124,914,376.64	23,561,788.65
Pupil Personnel Services	6,996,541.89	8,617,670.16	8,412,814.29	204,855.87
Instructional Media Services	4,111,054.24	4,160,678.80	3,981,756.07	178,922.73
Instruction and Curriculum Development Services	7,510,245.56	10,084,780.35	7,818,916.71	2,265,863.64
Instructional Staff Training Services	867,643.95	950,557.30	269,253.65	681,303.65
Instruction Related Technology	2,244,758.34	2,379,688.84	2,116,700.52	262,988.32
School Board	1,241,848.19	1,265,050.83	886,356.25	378,694.58
General Administration	2,025,188.93	1,878,354.82	1,368,479.41	509,875.41
School Administration	19,194,373.69	19,932,057.77	19,068,984.86	863,072.91
Facilities Acquisition and Construction	1,963,237.27	2,724,384.05	1,269,033.94	1,455,350.11
Fiscal Services	1,949,479.01	2,096,648.28	2,032,273.19	64,375.09
Central Services	9,166,666.86	8,854,083.33	6,268,656.23	2,585,427.10
Pupil Transportation Services	10,996,046.74	11,450,338.78	10,871,275.86	579,062.92
Operation of Plant	23,709,024.02	23,849,463.22	20,645,264.59	3,204,198.63
Maintenance of Plant	8,120,891.65	8,486,903.32	8,196,119.92	290,783.40
Administrative Technology Services	4,651,796.14	4,352,441.64	4,070,325.89	282,115.75
Community Services	5,289,258.93	5,519,739.62	4,018,237.81	1,501,501.81
Fixed Capital Outlay:				
Facilities Acquisition and Construction		31,646.90	20,736.82	10,910.08
Other Capital Outlay		1,561,855.49	1,251,276.75	310,578.74
Total Expenditures	257,003,379.30	266,672,508.79	227,480,839.40	39,191,669.39
Excess (Deficiency) of Revenues Over Expenditures	(29,146,104.37)	(30,312,519.56)	8,879,149.83	39,191,669.39
Other Financing Sources (Uses)				
Transfers In	3,930,200.73	4,360,700.47	4,360,700.47	
Transfers Out		(59,622.91)	(57,760.53)	1,862.38
Total Other Financing Sources (Uses)	3,930,200.73	4,301,077.56	4,302,939.94	1,862.38
Net Change in Fund Balances	(25,215,903.64)	(26,011,442.00)	13,182,089.77	39,193,531.77
Fund Balances, Beginning	37,029,910.12	37,029,910.12	37,029,910.12	
Fund Balances, Ending	\$ 11,814,006.48	\$ 11,018,468.12	\$ 50,211,999.89	\$ 39,193,531.77

Special Revenue - Federal Economic Stimulus Programs Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 8,145,401.55	\$ 27,145,261.80	\$ 26,199,082.82	\$ (946,178.98)
<u>8,145,401.55</u>	<u>27,145,261.80</u>	<u>26,199,082.82</u>	<u>(946,178.98)</u>
6,146,228.66	21,818,058.93	21,723,216.09	94,842.84
144,344.98	790,203.55	790,203.55	
	133,866.78	133,866.78	
1,195,181.38	1,342,244.67	594,361.77	747,882.90
138,196.23	315,574.88	228,106.68	87,468.20
50,922.28	48,479.36	48,479.36	
430,420.39	1,157,277.86	1,148,276.37	9,001.49
	114,167.81	114,167.81	
17,113.70	28,907.70	22,194.00	6,713.70
22,993.93	22,102.16	21,832.31	269.85
	155.51	155.51	
	184,592.40	184,592.40	
	<u>1,189,630.19</u>	<u>1,189,630.19</u>	
<u>8,145,401.55</u>	<u>27,145,261.80</u>	<u>26,199,082.82</u>	<u>946,178.98</u>
<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>

**LEON COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
October 1, 2006	\$ 0	\$ 82,280,036	\$ 82,280,036	0.0%	\$ 124,632,777	66.02%
October 1, 2008	0	32,190,831	32,190,831	0.0%	126,979,643	25.35%

**LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2011**

1. BUDGETARY BASIS OF ACCOUNTING

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

2. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The October 1, 2008, unfunded actuarial accrued liability of \$32,190,831 was significantly lower than the October 1, 2006, liability of \$82,280,036. This a direct result of recognizing that the vast majority of retirees age 65 and older are enrolled in Medicare Advantage plans not contributing to the implicit rate subsidy. This is reflected by not including retirees covered through those plans in the valuation and changing assumption applicable to the future retirees and their participation in the core District plan. Some of the factors contributing to the changes are as follows:

- The number of retirees currently included in the valuation decreased by approximately 50 percent from 596 as of October 1, 2006, to 292 as of October 1, 2008, following the determination that most retirees age 65 and older are covered through Medicare Advantage plans. For the purpose of this valuation, it is assumed that the coverage for retirees migrating to either Retiree Advantage Plan from CHP, or Blue Medicare from BCBS, has lapsed under the core District plan. Almost all retirees over age 65 are enrolled in Medicare Advantage plans. This is a different approach than in the previous valuation where such retirees had not been identified as covered under qualifying Medicare Advantage plans. Approximately 95 percent of future retirees are assumed to migrate to Medicare Advantage plans as well. Plan costs and liabilities decreased substantially as a result of this change with respect to current and future retirees. At the same time, the number of active employees increased modestly from 3,253 to 3,301. We did not project any changes among covered active employees.
- Following the determination that Medicare eligible retirees are changing coverage to a Medicare Advantage plan, we assume that the coverage for 95 percent of covered retirees under the age of age 65 would lapse under the core District plan. This represents an increase from the previous assumption of 20 percent and reflects the fact that most retirees seek coverage through a Medicare Advantage plan. This change in assumption also contributed to the decrease in plan cost and liabilities.
- Recent acceptance patterns among retiring employees rose compared to the last study. We now assume that 35 percent of employees who are covered at the time of retirement who retire before attaining age 65 will continue coverage under the core District plan, which is an increase from 25 percent in the previous valuation. We are also assuming that only 2 percent of employees who are Medicare eligible at the time of retirement would stay covered under the core District plan. This change in assumption increased plan costs and liabilities.
- The total cost of coverage increased from \$616 per subscriber per month as expected for the year beginning October 1, 2006, to \$628 per subscriber per month for the year beginning October 1, 2008. This is a substantially lower amount than \$765 per subscriber per month, expected for that period at the time the previous valuation was performed. Plan costs and liabilities decreased as a result of this change.
- The District changed its discount rate used for valuing the costs and liabilities from 4.0 percent to 4.25 percent. This change also contributed to a decrease in plan costs and liabilities.

**LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2011**

- We also made small revisions in the assumed trend of medical and prescription cost increases. In our previous valuation, we assumed the initial trend to be 4 percent for the year beginning on October 1, 2007, followed by a 10 percent trend for year beginning October 1, 2008, decreasing 0.5 percent each year thereafter, to the ultimate value of 5 percent. We are revising the trend rate for the year beginning October 1, 2009, to 4 percent (to reflect actual premium changes) and then we have resumed the same pattern as assumed previously: 9 percent for both the cost and the premiums for the year beginning October 1, 2010, with the trend decreasing by 0.5 percent each subsequent year until reaching the ultimate value of 5 percent.
- As can be seen from this summary of changes, there were numerous offsetting factors at work to change the results from the last full valuation to this one. The net effect was a decrease in plan costs and liabilities.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**LEON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 1,539,712.24	\$
National School Lunch Program	10.555	300, 350	5,430,088.14	
Summer Food Service Program for Children	10.559	323	244,365.63	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	646,339.84	
Total Child Nutrition Cluster			7,860,505.85	
Florida Department of Education:				
Team Nutrition Grants	10.574	301	6,892.52	
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	10,400.00	
Fresh Fruit and Vegetable Program	10.582	None	148,735.79	
Florida Department of Financial Services:				
Secure Payments for States and Counties Containing Federal Lands	10.665	None	63,878.44	
Total United States Department of Agriculture			8,090,412.60	
United States Department of Justice:				
Direct:				
Youth Gang Prevention	16.544	N/A	113,847.90	
United States Department of Transportation:				
Indirect:				
Florida Department of Transportation:				
Highway Planning and Construction	20.205	None	24,318.00	
United States Environmental Protection Agency:				
Direct:				
ARRA - National Clean Diesel Emissions Reduction Program	66.039	N/A	22,205.85	
Indirect:				
Florida Department of Environmental Protection:				
Gulf of Mexico Program	66.475	None	4,297.16	
Total United States Environmental Protection Agency			26,503.01	
United States Department of Energy:				
Indirect:				
Florida Office of the Governor:				
State Energy Program	81.041	None	31,841.65	
United States Department of Education:				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	39,902.34	
Federal Pell Grant Program	84.063	N/A	2,221,598.38	
Total Student Financial Assistance Cluster			2,261,500.72	
Fund for the Improvement of Education	84.215	N/A	239,303.30	
Total Direct			2,500,804.02	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	6,671,670.16	157,743.54
Special Education - Preschool Grants	84.173	266, 267	583,312.01	
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	4,827,084.12	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	224,005.87	
Total Special Education Cluster			12,306,072.16	157,743.54
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	7,001,365.33	166,695.64
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212	2,550,816.12	
Total Title I, Part A Cluster			9,552,181.45	166,695.64
Education for Homeless Children and Youth Cluster:				
Florida Department of Education:				
Education for Homeless Children and Youth	84.196	127	54,882.46	
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	4,625.32	
Total Education for Homeless Children and Youth Cluster			59,507.78	
Educational Technology State Grants Cluster:				
Florida Department of Education:				
Education Technology State Grants	84.318	121, 122	23,628.64	
ARRA - Education Technology State Grants, Recovery Act	84.386	121	45,016.10	
Total Educational Technology State Grants Cluster			68,644.74	

**LEON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Education (Continued):				
Indirect (Continued):				
School Improvement Grants Cluster:				
Florida Department of Education:				
School Improvement Grants	84.377	126	\$ 72,983.15	\$
ARRA - School Improvement Grants, Recovery Act	84.388	126	278,331.96	
Total School Improvement Grants Cluster			351,315.11	
State Fiscal Stabilization Fund Cluster:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591, 592	10,629,025.00	
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	277,951.30	36,800.00
Total State Fiscal Stabilization Fund Cluster			10,906,976.30	36,800.00
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	192	149,519.34	
Career and Technical Education - Basic Grants to States	84.048	161	625,139.99	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	19,374.96	6,400.00
Even Start - State Educational Agencies	84.213	219	205,309.99	
Twenty-First Century Community Learning Centers	84.287	244	2,354,641.69	
English Language Acquisition Grants	84.365	102	22,354.80	
Improving Teacher Quality State Grants	84.367	224	1,230,277.25	10,550.72
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RL111	509,154.75	
Education Jobs Fund	84.410	541	6,715,301.00	
National Writing Project	84.928	None	5,822.68	
Total Indirect			45,081,593.99	378,189.90
Total United States Department of Education			47,582,398.01	378,189.90
United States Department of Health and Human Services:				
Indirect:				
Early Learning Coalition of the Big Bend Region:				
Temporary Assistance for Needy Families	93.558	SR040	35,050.42	
Child Care and Development Fund Cluster:				
Child Care and Development Block Grant	93.575	SR040	62,624.70	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	SR040	46,818.04	
Total Child Care Development Fund Cluster			109,442.74	
Total United States Department of Health and Human Services			144,493.16	
Corporation for National and Community Service:				
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	234	42,376.23	
United States Department of Homeland Security:				
Indirect:				
Florida Department of Education:				
Homeland Security Grant Program	97.067	532	75,991.00	
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	103,271.21	
Air Force Junior Reserve Officers Training Corps	None	N/A	66,687.74	
Navy Junior Reserve Officers Training Corps	None	N/A	64,367.92	
Marine Corps Junior Reserve Officers Training Corps	None	N/A	71,671.26	
Total United States Department of Defense			305,998.13	
Total Expenditures of Federal Awards			\$ 56,438,179.69	\$ 378,189.90

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance, National School Lunch Program - Represents the amount of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.



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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Leon County District School Board as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the Leon County District School Board's financial statements. For the school internal funds and the aggregate discretely presented component units, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a

reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, we identified a certain deficiency in internal control over financial reporting, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding No. 1, that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or 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.

Compliance and Other Matters

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

We noted certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

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

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

Respectfully submitted,



David W. Martin, CPA
March 1, 2012



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The President of the Senate, the Speaker of the
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the Leon County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget (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 fiscal year ended June 30, 2011. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1. *A significant deficiency in internal control over compliance* is a deficiency, or 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.

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

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

Respectfully submitted,



David W. Martin, CPA
March 1, 2012

**LEON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency identified that is not considered to be a material weakness? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency identified that is not considered to be a material weakness? Yes

Type of report the auditor issued on compliance for major programs: Unqualified for all major programs

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

Identification of major programs:

Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 – ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 – ARRA, and 84.392 – ARRA); School Improvement Grants Cluster (CFDA Nos. 84.377 and 84.388 – ARRA); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 – ARRA and 84.397 – ARRA); and Education Jobs Fund (CFDA No. 84.410)

Dollar threshold used to distinguish between Type A and Type B programs: \$1,693,145

Auditee qualified as low-risk auditee? Yes

**LEON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FINANCIAL STATEMENT FINDING

SIGNIFICANT DEFICIENCY

Finding No. 1: Financial Reporting

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

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

Recommendation: The District should enhance procedures to ensure that information is properly reported on the financial statements.

ADDITIONAL MATTERS

Finding No. 2: Extended Day Enrichment Program

The District operates a fee-supported, school-age child care program that provides before and after school care at 20 elementary schools. The District recorded fee collections totaling approximately \$3.4 million for the Extended Day Enrichment Program (EDEP) for the 2010-11 fiscal year. Our review of internal controls over the EDEP fee collections at Apalachee Elementary, Canopy Oaks Elementary, DeSoto Trail Elementary, Ft. Braden Elementary, Hawks Rise Elementary, and Killlearn Lakes Elementary Schools disclosed the following:

- In May 2010, the Board approved an EDEP fee schedule, which did not provide for employee discounts or prorated fees for participants who did not attend the standard five-day school week. However, EDEP fee schedules used at Canopy Oaks, DeSoto Trail, Hawks Rise, and Killlearn Lakes Elementary Schools included rates that were not in the Board-approved fee schedule, and the schedules used at these schools included discounts for employees and prorated fees for less than full-time attendance. For example at Desoto Trail, the Board-approved fee schedule provided for a \$160 weekly rate (or \$32 per day), but the school charged prorated fees for less than full-time students ranging from \$36.25 per day for four days, or a total of \$145 for students attending a four-day week, to \$42.50 per day for two days, or a total of \$85 for students attending a

two-day week. In addition, Killearn Lakes Elementary School employees with children in EDEP obtained a 50 percent rate discount.

- At Apalachee and Killearn Lakes Elementary Schools, personnel collected fees and transferred the collections to personnel who prepared and made deposits; however, personnel did not sign transfer documents to establish responsibility for the collections. For the 2010-11 fiscal year, EDEP fee revenues for Apalachee and Killearn Lakes Elementary Schools totaled \$73,301 and \$267,260, respectively. Without signed transfer documents, the District may be limited in its ability to fix responsibility should a loss of collections occur.
- Fee collections at Apalachee Elementary, Canopy Oaks Elementary, Ft. Braden Elementary, Hawks Rise Elementary, and Killearn Lakes Elementary Schools could be recorded more timely in the accounting system. Our test of 25 student fee collections disclosed 20 collections at these schools that were not recorded in the accounting records until 11 to 53 days, or an average of 23 days, after the deposit date. District personnel indicated that deposits were made by the individual schools and copies of deposit slips were not always timely provided to the finance department, resulting in the delayed accounting entries. Also, finance department personnel generally recorded the entries on a monthly basis. Untimely accounting entries may limit the District's ability to monitor the EDEP financial activities and timely detect errors and fraud.
- Board policy allows the employment of individuals who are family members, but prohibits employees from supervising their relatives. EDEP managers at DeSoto Trail and Ft. Braden Elementary Schools supervised personnel who were their relatives at the respective schools, contrary to Board policy. Compliance with this policy may reduce the likelihood of EDEP collection errors or fraud without timely detection.

The above deficiencies occurred mainly because of the lack of formal EDEP policies and procedures to appropriately and sufficiently account for EDEP collections. Similar findings were noted in our report No. 2009-189.

During the finance department's routine review of EDEP budgeted and collected revenue for the 2010-11 fiscal year, personnel determined that certain amounts due from third parties and other EDEP collections had not been recorded for EDEP at Apalachee Elementary. District personnel indicated that the EDEP manager at Apalachee Elementary diverted the third-party funds and other EDEP collections to a non-District account, and the District notified the State Attorney of these concerns. Subsequent to an investigation by the State Attorney, the former EDEP manager was adjudicated guilty of organized scheme to defraud, grand theft, and bank fraud and ordered to pay restitution totaling \$78,945.74. In August 2010, the Board terminated the manager's employment with the District.

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

Recommendation: The District should continue to enhance its procedures over EDEP fee collections by assessing student fees consistent with Board-approved fee schedules; establishing responsibility for fee collections through use of transfer receipts; timely recording fee collections in the accounting system; and performing and retaining documentation of independent fee audits. In addition, such procedures should ensure that incompatible duties of collecting, recording, and depositing fee collections are appropriately separated. Further, the District should ensure compliance with Board policy prohibiting employees from supervising their relatives.

Finding No. 3: Performance Assessments

Section 1012.34(3), Florida Statutes (2010),¹ required the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of these employees, the procedures were to primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3), Florida Statutes (2010), at the school where the employee worked. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes (2010), included evaluation measures such as the employee's ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction and use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies. Section 1012.34(3)(d), Florida Statutes (2010), required that, if an employee was not performing satisfactorily, the performance evaluator had to notify the employee in writing and describe the unsatisfactory performance.

While the assessments of instructional personnel and school administrators generally met the requirements of Section 1012.34(3)(a), Florida Statutes (2010), District records did not sufficiently evidence a correlation between student performance and the employee's performance assessment, nor that student performance was the primary factor for the overall evaluation rating. For example, the evaluation form did not provide a numeric or percentage indicator to show that student achievement was the primary contributing factor used to evaluate employee performance.

District personnel indicated that they delayed revisions to performance assessments until implementation of the Federal Race-to-the-Top grant requirements, which are subject to approval by the Florida Department of Education for the 2011-12 fiscal year. However, without measuring employee performance by the required criteria, performance assessments of instructional personnel and school administrators may not effectively communicate the employee's accomplishments or shortcomings.

Recommendation: The District should document that performance assessments of instructional personnel and school administrators consider student performance as required by law.

Finding No. 4: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes (2010),² provided that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes (2010), required the Board to

¹ Sections 1012.34 and 1008.22, Florida Statutes, were amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.34(3)(a), Florida Statutes (2011), at least 50 percent of performance evaluations of instructional personnel and school administrators must be based upon data and indicators of student learning growth assessed annually by statewide or district assessments spanning three years of data. However, if three years of data is not available, the District must use the available data and the percentage of the evaluation based upon student learning growth may be reduced to not less than 40 percent for administrators and in-classroom instructional personnel, and to not less than 20 percent for instructional personnel who are not classroom teachers.

² Section 1012.22, Florida Statutes, was amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.22(1)(c)4.b., Florida Statutes, the District must base a portion of each employee's compensation upon performance demonstrated under Section 1012.34, Florida Statutes, and provide differentiated pay for instructional personnel and school administrators based upon district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule was subject to negotiation as provided in Chapter 447, Florida Statutes, and was required to provide differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not adopted formal policies and procedures to ensure that a portion of each instructional employee's compensation was based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010). Such policies and procedures could establish and communicate the performance measures affecting instructional employee compensation. In addition, the Board had not adopted formal policies and procedures establishing the documented process to identify the instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes (2010). Such policies and procedures could specify the prescribed factors to be used as the basis for determining differentiated pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2010-11 fiscal year salary schedule and applicable union contract for instructional personnel and school-based administrators provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes (2010), could be improved, as follows:

- **Instructional Personnel.** The union contract provides a supplement of \$2,000 to certain eligible teachers based on their performance; however, the instructional personnel salary schedule and union contract did not evidence that a portion of the compensation of each instructional employee was based on performance, contrary to Section 1012.22(1)(c)2., Florida Statutes (2010). The District's performance pay plan for the 2009-10 fiscal year resulted in 21 instructional personnel who received a bonus in January 2011. However, since the District has over 2,350 instructional personnel, District records did not evidence that a reasonable attempt had been made to base a portion of each instructional employee's compensation on the employee's performance.

Pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010), the instructional personnel salary schedule and union contract provided salary supplements for additional responsibilities beyond the standard work day, such as supplements for athletic and drama coaches. The salary schedule provided additional compensation for instructional personnel based on school demographics for low performing schools. Also, the District provided differentiated pay based on designated critical shortages established in the 2006-07 fiscal year; however, the relevancy and usefulness of whether the designated shortages applied to the 2010-11 fiscal year were not readily apparent. In addition, neither the salary schedule nor the union contract evidenced differentiated pay based on level of job performance difficulties.

- **School-based Administrators.** The school-based administrators' salary schedule evidenced consideration for additional responsibilities, school demographics, and level of job performance difficulties by the differing administrative pay grades for elementary, middle, and high schools based on the type school. However, the salary schedule did not evidence consideration of differentiated pay based on critical shortage areas, contrary to the Section 1012.22(1)(c)4., Florida Statutes (2010).

District personnel indicated that salary schedule revisions to comply with the statutory performance and differentiated pay requirements were delayed to ensure consistency with Federal Race-to-the-Top grant requirements. However, without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlates to their compensation and the various differentiated pay factors are consistently considered and applied.

Recommendation: The Board should adopt formal policies and procedures for ensuring that a portion of each instructional employee’s compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c), Florida Statutes.

Finding No. 5: Purchasing Cards

The District administers a purchasing card program to efficiently and effectively expedite low dollar purchases of goods and services and high-volume repetitive purchases. Purchasing cards are subject to the same rules and regulations that apply to regular District purchases, and the District has established purchasing card procedures to provide users with additional guidance on how to properly use the purchasing cards. During the 2010-11 fiscal year, the District assigned 320 purchasing cards to employees and departments, and made payments totaling approximately \$5.8 million for goods and services purchased with the cards.

The purchasing card single transaction and monthly credit limits generally ranged from \$750 to \$12,000; however, we noted six purchasing cards with limits that ranged from \$25,000 to \$999,000, as determined by the purchasing card site administrator upon card issuance. While most card limits appeared reasonable, our review of controls over the use of the cards disclosed some single transaction or monthly credit limits that appeared excessive based on actual purchases during the 2010-11 fiscal year, as shown below:

Card Number	Department	Single Transaction Limit	Actual Highest Single Transaction	Actual as Percent of Limit	Monthly Limit	Actual Highest Monthly Total	Actual as Percent of Limit
(1)	Purchasing Director	\$ 400,000	\$ 31,584	8%	\$ 800,000	\$ 31,854	4%
(2)	Purchasing Director	999,000	89,991	9%	999,000	575,586	58%
(3)	Purchasing Director	50,000	19,332	39%	(A)	(A)	(A)
(4)	Warehouse Purchasing	75,000	22,554	30%	(A)	(A)	(A)

Note (A) - Monthly transaction limits were reasonable based on actual transactions.

District personnel indicated that the purchasing director was provided a large credit limit for purchasing card No. 2 to purchase technology equipment and purchasing card No. 3 to make nontechnology purchases. Subsequent to our inquiry in April 2011, purchasing card No. 1 was suspended and the limits for purchasing card No. 4 were reduced to \$25,000 per single transaction and \$75,000 per month. While District procedures provide for review of credit limits every two years upon issuance of new cards, more timely reviews to monitor the reasonableness of such credit limits may reduce the risk of unauthorized use.

Recommendation: The District should enhance procedures to ensure that appropriate single and monthly transaction credit limits are established consistent with actual use by cardholders.

Finding No. 6: Construction Management Services

Pursuant to Section 1013.45(1), Florida Statutes, the District may contract for the construction or renovation of facilities using various delivery methods, including construction management. Pursuant to Section 1013.45(1)(c), Florida Statutes, the District must select a construction management entity (CME) pursuant to Section 287.055,

Florida Statutes. Section 287.055(3), Florida Statutes, requires that the District publicly announce, in a uniform and consistent manner, each occasion when professional services must be purchased for a project in which the basic construction cost is estimated by the agency to exceed \$325,000. The public notice must include a general description of the project and must indicate how interested consultants may apply for consideration. Sections 287.055(4) and (5), Florida Statutes, require the District to select in order of preference no fewer than three firms deemed to be the most highly qualified to perform the required services for each proposed project. Should the District be unable to negotiate a satisfactory contract with the firm considered to be the most qualified at a price the District determines to be fair, competitive, and reasonable, negotiations with that firm must be formally terminated, and the District must then undertake negotiations with the second most qualified firm. Failing accord with the second most qualified firm, the District must then undertake negotiations with the third most qualified firm.

Pursuant to Section 255.103(4), Florida Statutes, the District may enter into a continuing contract for a defined period with a CME for construction projects in which the estimated construction cost of each individual project under the contract does not exceed \$2 million. In May 2007, the District solicited a request for qualifications (RFQ) for a construction manager at risk for minor projects under \$2 million, and the Board approved a list of 19 CMEs. In September 2009, the District solicited an additional RFQ for a construction manager at risk for minor projects under \$2 million, and the Board approved the previously-approved 19 CMEs and an additional 11 CMEs, or a total of 30 CMEs that it could enter into contracts with once minor projects under \$2 million were identified.

During the 2010-11 fiscal year, the Board assigned a CME from the Board-approved list to demolish two buildings at Griffin Middle School and make room for the new information technology and administrative building for approximately \$1.4 million. In addition, the Board assigned another CME from the list to construct the building for approximately \$1.9 million and to perform interior upfit services in the building. However, by establishing a list of 30 CMEs, instead of ranking and selecting CMEs using the competitive selection procedures prescribed in Section 287.055, Florida Statutes, District records did not evidence that the most highly qualified firm was selected for these projects. Further, District records did not evidence the basis upon which the District separated the CME construction and upfit services into two different projects. In these circumstances, the District effectively circumvented the provisions of Section 287.055, Florida Statutes, by not competitively selecting the CME services for construction of the building, including the interior upfit.

Recommendation: The District should ensure that CMEs are ranked and competitively selected using the process prescribed by Section 287.055, Florida Statutes.

Finding No. 7: Facilities Management

The facilities planning department is responsible for managing construction and renovation projects. During the 2010-11 fiscal year, the facilities planning department employed 28 full-time employees, including construction and capital energy personnel, and the facilities planning department's operating cost was approximately \$500,000. Also, during this fiscal year, the District had expenditures totaling approximately \$31 million for capital projects fund construction and renovation projects and, as shown on the District's Five-Year Facilities Work Plan as approved by the Board on September 28, 2010, the District planned to spend an additional \$82 million on these projects over the next four years. At June 30, 2011, the historical cost of the District's educational and ancillary facilities was approximately \$461 million and, as shown in the Florida Department of Education's Florida Inventory of School Houses data, District facilities had an average age of 30 years.

The facilities maintenance department is responsible for ensuring facilities are safe and suitable for their intended use. The facilities maintenance department performed heating, ventilating, and air-conditioning (HVAC); and electrical, plumbing, other maintenance-related jobs. During the 2010-11 fiscal year, this department employed 116 employees, including grounds and maintenance personnel, and the department's operating cost was approximately \$8 million.

Given the significant commitment of public funds to construct and maintain educational facilities, it is important that the District establishes procedures to evaluate the effectiveness and efficiency of facility operations at least annually using performance data and established benchmarks. Such procedures could include written policies and procedures documenting processes for evaluating facilities construction methods and maintenance techniques before commitment of significant resources to the most cost-effective and efficient method or technique. In addition, performance evaluations could include established goals for facility and maintenance operations and measurable objectives or benchmarks that are clearly defined to document the extent to which goals are achieved and accountability for facilities and maintenance department employees. While our review of facilities management procedures indicated that procedures were generally adequate, we noted the following procedural enhancements could be made:

- **Construction Planning.** School districts benefit from long-range facilities construction planning activities that include consideration of stakeholder input, including District personnel, parents, real estate and construction professionals, county long-range planning personnel, and other community stakeholders. A committee comprised of such individuals may help the District with facility construction decisions based on actual or anticipated commercial or residential expansion efforts and population demographics.

The District has had Capital Improvement Review Teams (CIRT) composed of business and community professionals, parents of school children and interested citizens in 1999 and 2002 and is currently in the process of asking the Leon County Chamber of Commerce to establish a CIRT for the purpose of reviewing the need for and use of the one-half cent sales tax; however, the District has had no other committees with the responsibility of developing long-range construction priorities. Although the District's facilities construction director develops a five-year facilities work plan, which is updated annually, the use of a long-range facilities construction planning committee may help the District establish facility planning opportunities and cost savings not considered by the District's current process.

- **Alternative Construction Methods or Maintenance Techniques.** The District primarily awards construction contracts to design professionals and construction contractors using traditional design-bid-build methods, although it has occasionally used guaranteed maximum price and construction management at risk construction methods. In addition, maintenance-related jobs, such as HVAC replacement and repair, are routinely performed by maintenance personnel based on safety and suitability priorities. District personnel indicated that they had not established written policies and procedures for evaluating the various construction methods or maintenance-related job techniques and, while they consider alternative methods and techniques, they have not documented evaluations of the various approaches to determine for each major construction project or significant maintenance-related job which would be most cost effective and beneficial. Without Board-approved policies and procedures, and documented evaluations, there is an increased risk that the District may not use the most cost-effective and beneficial construction method or maintenance technique.
- **Accountability.** The District's facilities planning and maintenance departments have established short-term and long-term goals; however our review disclosed that these goals did not address accountability for these departments. For example, the goals for the facilities planning department included focusing on employee satisfaction, preparing for the transition to new management, and continuing to use environmentally friendly building designs. Examples of facilities maintenance department goals include maintaining a safe and productive school environment, accelerating preventive maintenance programs to extend building and equipment life, and increasing employee productivity with advanced training. However, the goals of these departments did not sufficiently identify efficiency or cost-effectiveness outcomes.

To adequately establish outcome measures, the departments could set goals such as completing construction or maintenance projects that meet or exceed building code industry standards at the lowest possible cost.

Progress in attaining the goals could be measured by developing accountability systems to monitor work orders for return assignments or corrective action because a project did not initially meet building code requirements, and comparing project costs to industry standards for similar work. Additional goals could include setting benchmark time frames for routine projects or jobs and progress toward meeting the goal could be measured by comparing project or job completion times to industry standards for similar work. Establishing goals that focus on accountability and measureable objectives and benchmarks could assist the District in determining whether its facilities planning and maintenance departments are operating as effectively and as cost efficiently as possible.

Recommendation: The District should establish a long-range facilities planning committee comprised of various stakeholders to periodically meet and assist the facilities construction director in identifying long-range construction needs. Also, the District should develop written policies and procedures requiring periodic evaluations of alternative facilities construction methods and techniques for performing significant maintenance-related jobs, and document these evaluations. In addition, the District should develop additional goals and objectives for the facilities planning and maintenance departments to identify efficiency or cost effectiveness outcomes for department personnel.

Finding No. 8: Information Technology - Access Privileges

Effective management of information technology (IT) access privileges includes timely deactivating employee access privileges when employment is terminated. Prompt action is necessary to ensure that a former employee's access privileges are not misused by the former employee or others.

When an employee terminates, the employee's network access is deactivated and application access is deleted by the IT Help Desk staff in accordance with District procedures. District management indicated that it is District procedure to leave network accounts active for up to 30 days following termination of employment. Our test of the ten employees who terminated from the District from July 1, 2010, to April 28, 2011, disclosed that the network access privileges of three former employees were not deactivated for 104 to 243 days after termination of employment. For another three of the ten former employees tested, the District was unable, upon our inquiry, to provide the date that the employees' access privileges were deactivated and thereby could not demonstrate whether the access privileges were discontinued in a timely manner.

The network accounts of two of the three former employees described above whose network access privileges had not been timely deactivated were used 17 and 44 days, respectively, after the employees' termination dates. However, the District could not, upon our inquiry, provide information regarding who used the accounts, what information or IT resources, if any, were accessed, or whether the accesses were for an authorized District business purpose. The District's network allows access to certain critical application systems and confidential or sensitive information stored within documents of individual network users. When access privileges of former employees are not timely deactivated, the risk is increased that these privileges may be misused by former employees or others. Similar findings were noted in previous audits of the District, most recently in our report No. 2009-189.

Recommendation: The District should ensure that access privileges of former employees are deactivated in a timely manner.

Finding No. 9: Information Technology - Access Control Records Retention

The State of Florida, *General Records Schedule GS1-SL for State and Local Government Agencies (General Records Schedule)*, revised by the Department of State, effective August 2010, provides that access control records must be retained for

one anniversary year after superseded or after the employee separates from employment. Contrary to the *General Records Schedule* requirements, the District's practice was to delete an employee's application account from the system upon notification of termination. Without adequate retention of access control records, the risk is increased that the District may not have sufficient documentation to assist in future investigations of security incidents, should they occur. Additionally, the District is not in compliance with the State's record retention requirements.

Recommendation: The District should ensure that access control records are retained as required by the *General Records Schedule*.

Finding No. 10: Information Technology - Risk Assessment

Management of IT-related risks is a key part of enterprise IT governance. Incorporating an enterprise perspective into day-to-day governance actions helps an entity understand its greatest security risk exposures and determine whether planned controls are appropriate and adequate to secure IT resources from unauthorized disclosure, modification, or destruction. IT risk assessment, including the identification of risks and the evaluation of the likelihood of threats and the severity of threat impact, helps support management's decisions in establishing cost-effective measures to mitigate risk and, where appropriate, formally accept residual risk.

Although the District had informally considered external and internal risks and identified security controls to mitigate these risks, the District had not developed a written, comprehensive IT risk assessment. The absence of a written, comprehensive IT risk assessment may limit the District's assurance that all likely threats and vulnerabilities have been identified, the most significant risks have been addressed, and appropriate decisions have been made regarding which risks to accept and which risks to mitigate through security controls.

Recommendation: The District should develop a written, comprehensive IT risk assessment to provide a documented basis for managing IT-related risks.

Finding No. 11: Information Technology - Security Controls - User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to user authentication that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to user authentication, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

Recommendation: The District should improve IT security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 1:**Federal Agency: United States Department of Education****Pass-Through Entity: Florida Department of Education****Program: Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 - ARRA)****Finding Type: Noncompliance and Significant Deficiency****Questioned Costs: None**

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

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

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

Similar findings were noted in our report No. 2009-189.

Recommendation: The District should enhance its procedures to ensure that charges to the Title I program are consistent with efforts devoted to the program, and provide for the required semiannual certifications for employees who work solely on a single Federal program.

District Contact Person: Carolyn Spooner, Director II of Special Services

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in previous audit reports.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*LEON COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2011*

Listed below is the District's summary of the status of prior audit findings on Federal programs:

Audit Report No. and Federal Awards Finding No.	Program/ Area	Brief Description	Status	Comments
Thomas Howell Ferguson, P.A. and Law, Redd, Crona, & Munroe, P.A.		There were no prior Federal audit findings.		

EXHIBIT A
MANAGEMENT’S RESPONSE

BOARD CHAIR
Dee Dee Rasmussen

BOARD VICE-CHAIR
Forrest Van Camp

TEEN BOARD MEMBER
Conner Dawkins (Chiles)



BOARD MEMBERS
Georgia M. "Joy" Bowen
Maggie Lewis Butler
Dee Crumpler

SUPERINTENDENT
Jackie Pons

January 31, 2012

Mr. David W. Martin, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Attached is the official written response to the preliminary and tentative audit findings included in the audit of the Leon County District School Board for the fiscal year 2010-2011.

We value the information provided during the audit process to our District School Board. We have worked diligently to address the concerns noted in the report and many of the recommendations have already been fully implemented. We will work expeditiously to implement all of the recommendations as outlined in our response below.

We thank you for the opportunity to respond. If additional information is required, please feel free to contact us.

Sincerely,

Jackie Pons
Superintendent

2757 West Pensacola Street • Tallahassee, Florida 32304-2998 • Phone (850) 487-7100 • Fax (850)487-7141
www.leonschools.net

"Leon County Schools does not discriminate against any person on the basis of gender, marital status, sexual orientation, race, religion, national origin, age, or disability."

Building the Future Together

EXHIBIT A
MANAGEMENT’S RESPONSE (CONTINUED)

Management Response
January 31, 2012
Page 2 of 5

Finding No. 1

We will properly account for and report unspent principal of debt in the Statement of Net Assets on future financial statements.

Finding No. 2

District coordinator will work with EDEP Managers when developing and submitting their yearly fee schedule to the Board to ensure that discounts and prorated fees are addressed. Transfer documentation and other fee collection procedures are a part of the monthly monitoring by the District Coordinator. The timely entry of fee deposits has been addressed and corrected. The District Coordinator has now established a system of retaining all pertinent paper work when reviewing individual programs. Employment of relatives has been addressed with the EDEP Managers.

Finding No. 3

In order to ensure that performance assessments of instructional personnel and school administrators are based primarily on student performance, Leon County Schools has developed LEADS (Leon Educator Assessment and Development System). This system was designed to support effective instruction and student learning growth by providing a methodology for performance assessments of instructional personnel. LEADS will be implemented in all schools during the 2011-2012 school year. The instructional practices component of our LEADS evaluation, representing 60% of an instructional employee’s evaluation, received tentative approval from the DOE in October of 2011. Under Florida law, the remaining 40% of an instructional employee’s evaluation will be determined by “student growth,” as measured by available student test results. The LEADS SGM will be submitted to the DOE for their consideration and approval thus completing this phase of our evaluation revision obligations. Results obtained from the system will be used when developing district and school level improvement plans. Results will also be used to identify professional development for instructional personnel and school administrators. The new LEADS evaluation process advances professional growth, values fairness and delivers the appropriate rigor to comply with our required RTTT directives and state law.

Finding No. 4

Current LCS policies and procedures provide for instructional personnel pay levels based on various factors such as job classification, years of experience, level of education, additional responsibilities,

EXHIBIT A
MANAGEMENT'S RESPONSE (CONTINUED)

Management Response
January 31, 2012
Page 3 of 5

school demographics, critical shortage areas and level of job performance difficulties. Policy 2.11, Experience Credit, provides requirements for differentiated pay for years of experience. Policy 2.12, Classification Specifications, provides requirements for the various positions and a complete set of classification specifications are maintained by the Human Resources Department and can also be obtained online. Policy 2.24, Supplements and Salary Additives, provides requirements for differentiated pay based on additional responsibilities, critical shortage areas, competitive positions, and hard-to-retain positions. The board approved position classifications and salary grades authorized by Policy 2.12 provides guidelines.

Evidence of such factors are verified and maintained by school administrators and the department of human resources.

In order to ensure that a portion of each instructional employee's compensation is based on performance, LCS will amend current policy. Revisions to district policy and the salary schedule were delayed to ensure consistency with Federal Race-to-the-Top grant requirements. As part of our compliance with Race-to-the-Top, LCS has developed LEADS (Leon Educator Assessment and Development System). This system was designed to support effective instruction and student learning growth by providing a methodology for performance assessments of instructional personnel. The instructional practices component of our LEADS evaluation received tentative approval from the DOE in October of 2011. The second component of LEADS, dealing with student growth and performance, will be submitted to the DOE for their consideration and approval soon. Policy amendments will proceed immediately upon DOE approval.

In order to ensure that differentiated pay of instructional personnel and school administrators is appropriately identified on salary schedules, the board approved salary schedules will also be amended immediately upon DOE approval.

Finding No. 5

The District recognizes that high single transaction and monthly limits create a risk. In an attempt to mitigate the risk and limit our exposure the following steps have been taken:

- Reduction of the single transaction limit on Technology card # 2 from \$400k to \$100k. Additionally, this card is in the suspended status and in the possession of the Budget Directory. Requests to activate this line of credit must be made to the CFO.
- Reduction of the single transaction limit on Technology Card # 1 from \$999k to \$200k to better align with actual usage.
- Request that issuing bank immediately notify the Purchasing Director of large transaction charges in excess of an established threshold.

EXHIBIT A
MANAGEMENT’S RESPONSE (CONTINUED)

Management Response
January 31, 2012
Page 4 of 5

Finding No. 6

The District has adopted internal procedures to improve district operations related to procurement of construction management services. In addition, any and all future advertisements for professional services will notice respondents of ranking and actions necessary to assure full compliance with 287.005, Florida Statutes requirements.

Finding No. 7

The District will continue to refine and develop processes which identify efficiency or cost effectiveness outcomes for department personnel. These refined processes will be incorporated as a part of our level of service standards document as an expectancy.

Finding No. 8

The process for deactivating user access privileges is a manual process and subject to human error. We will re-educate our users on LCS Procedure F-1, Security of Data, paragraph 1H which states:

Each authorized user will be responsible for use of his or her assigned computer equipment. Each user must protect all data files and computer programs, by signing off the system or locking their equipment/office while unattended. The “Employee Supervisor Exit Checklist” or equivalent form must be completed for all employees leaving or moving to another location in the district to ensure turn-in of computer-related equipment items and removal of access to data files.

Finding No. 9

This district was not aware of the change in State law. We will update our policy to disable the network account within 30 days of the employee leaving and to keep the account for a minimum of one year. On the mainframe we are now suspending ACF2 users for one year instead of deleting them.

Finding No. 10

We plan to contract for a formal IT Risk Assessment within the next year, subject to funding availability.

EXHIBIT A
MANAGEMENT'S RESPONSE (CONTINUED)

Management Response
January 31, 2012
Page 5 of 5

Finding No. 11

Appropriate actions have been taken to address the concerns regarding District security controls related to user authentication.

Federal Awards Finding No. 1

In an effort to correct Title I Personnel Activity Report Finding in the 2012 Auditor General Audit Report, the Title I Office director and accountant reviewed and updated Personnel Activity Report Procedures and Requirements, in an effort to ensure all employees maintain required documentation if charged to federal grants.

Reminders to maintain time and effort logs for "multiple cost" objectives and 100% Certification sheets for "single cost" will be placed in the Title I monthly technical assistance newsletter for administrators, a checklist of employees collected will be monitored by the accountant, and principal trainings will include Personnel Activity Reporting training.