

STATE OF FLORIDA AUDITOR GENERAL

Financial and Federal Single Audit

Report No. 2018-127
March 2018

**LEON COUNTY
DISTRICT SCHOOL BOARD**

For the Fiscal Year Ended
June 30, 2017



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2016-17 fiscal year, Rocky Hanna served as Superintendent of the Leon County Schools from 11-22-16, Jackie Pons served as Superintendent before that date, and the following individuals served as School Board Members:

	<u>District No.</u>
Alva Striplin, Vice Chair from 11-22-16	1
Rosanne Wood from 11-22-16	2
Dee Crumpler through 11-21-16	2
Maggie B. Lewis-Butler	3
DeeDee Rasmussen, Chair through 11-21-16	4
Georgia "Joy" Bowen, Chair from 11-22-16, Vice Chair through 11-21-16	5

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 team leader was Shirley Dong, CPA, and the audit was supervised by Edward A. Waller, CPA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Manager, by e-mail at micahrodgers@aud.state.fl.us or by telephone at (850) 412-2905.

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the Leon County District School Board (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

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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.

SUMMARY OF REPORT ON FEDERAL AWARDS

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster, Special Education Cluster, and Twenty-First Century program 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 programs.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the 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 the District's major Federal programs;
- 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 the financial statement findings included in the prior audit report.

The scope of this audit included an examination of the District's basic financial statements and the accompanying Schedule of Expenditures of Federal Awards, as of and for the fiscal year ended June 30, 2017. 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, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

AUDIT METHODOLOGY

We conducted our audit in accordance with 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 6 percent of the assets and 31 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based solely 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Leon County District School Board, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note II. to the financial statements, the District adjusted the beginning net position for the aggregate discretely presented component units due to the closure of two charter schools. This affects the comparability of amounts reported for the 2016-17 fiscal year with amounts reported for the 2015-16 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Budgetary Comparison Schedule – General and Major Special Revenue Funds**, **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of District Contributions – Florida Retirement System Pension Plan**, **Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of District Contributions – Health Insurance Subsidy Pension 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 6, 2018, on our consideration of the District'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 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 6, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Leon County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2017. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-17 fiscal year are as follows:

- Total net position is \$171,528,183, which represents an 8.5 percent increase from the 2015-16 fiscal year.
- General revenues total \$328,611,168, or 93.1 percent of all revenues which total \$352,906,946. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$24,295,778, or 6.9 percent of all revenues.
- Expenses total \$334,346,950. Only \$24,295,778 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total revenues exceed total expenses by \$18,559,996.
- The combined total of General Fund assigned and unassigned fund balances, representing the net fund balance that is spendable and not restricted, totals \$34,185,162, or 13 percent of total General Fund revenues.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic 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 statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type activities of the District presented on the accrual basis of accounting. The statement of net position provides information about the District's financial position, its assets, liabilities, and deferred inflows/outflows of resources, using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is improving or deteriorating.

The government-wide statements present the District's activities in the following categories:

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as

transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

- Business-type activities – The District charges fees to cover the cost of certain services provided by the District's Permitting Office.
- Component units – The District presents eight separate legal entities in this report. The School of Arts and Sciences on Thomasville Road; the School of Arts and Sciences at the Centre; Stars Education Services, Inc.; Imagine-Leon County, LLC; Governors Charter Academy; and the Foundation for Leon County Schools, Inc. are legally separate organizations and component units that are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government. The Leon County District School Board Voluntary Employee Benefits Trust (VEBT) and the Leon County School Board Leasing Corporation (Leasing Corporation), although also legally separate entities, were formed to administer the District's group health, life, and dental insurance program and facilitate financing for the acquisition of facilities and equipment, respectively. Due to the substantive economic relationships between the District and the VEBT and Leasing Corporation, their financial activities have been included as an integral part of the primary government.

Fund Financial Statements

Fund financial statements are one of the components of the basic 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entitywide perspective contained in the government-wide statements. All of the District's funds may be classified within one of the broad categories discussed below.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing 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 government'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 – Other Fund, and Capital Projects – Other 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. A budgetary comparison schedule has been provided for the General and major Special Revenue Funds to demonstrate compliance with the budget.

Proprietary Fund: 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 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 intended purposes.

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

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

Required Supplementary Information

The District adopts an annual budget for its governmental funds. A budgetary comparison schedule has been provided for the General Fund and the major Special Revenue Fund to demonstrate compliance with the budget. Additional required supplementary information is presented related to the funding progress for other postemployment benefits and net pension liabilities and contributions.

Notes to Required Supplementary Information

The notes provide additional information that is essential for a full understanding of the data provided in the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government’s financial health. The following is a summary of the District’s net position as of June 30, 2017, compared to net position as of June 30, 2016:

Net Position, End of Year

	Governmental Activities		Business-Type Activities		Total	
	6-30-17	6-30-16	6-30-17	6-30-16	6-30-17	6-30-16
Current and Other Assets	\$ 149,013,187	\$ 143,610,786	\$ 67,855	\$ 72,406	\$ 149,081,042	\$ 143,683,192
Capital Assets	402,313,353	397,868,029	-	-	402,313,353	397,868,029
Total Assets	551,326,540	541,478,815	67,855	72,406	551,394,395	541,551,221
Deferred Outflows of Resources	62,640,060	27,050,092	-	-	62,640,060	27,050,092
Long-Term Liabilities	410,924,205	374,182,498	-	-	410,924,205	374,182,498
Other Liabilities	18,351,438	17,324,817	87	170	18,351,525	17,324,987
Total Liabilities	429,275,643	391,507,315	87	170	429,275,730	391,507,485
Deferred Inflows of Resources	13,230,542	19,031,898	-	-	13,230,542	19,031,898
Net Position:						
Net Investment in Capital Assets	208,165,475	189,721,389	-	-	208,165,475	189,721,389
Restricted	95,368,641	61,471,303	-	-	95,368,641	61,471,303
Unrestricted (Deficit)	(132,073,701)	(93,202,998)	67,768	72,236	(132,005,933)	(93,130,762)
Total Net Position	\$ 171,460,415	\$ 157,989,694	\$ 67,768	\$ 72,236	\$ 171,528,183	\$ 158,061,930

The largest portion of the District's net position is investment in capital assets (e.g., land; buildings; furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

The restricted portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The deficit unrestricted net position was the result, in part, of accruing \$31,629,728 in compensated absences payable, \$17,123,844 in other postemployment benefit obligations, and \$162,967,739 in net pension liability.

Governmental activities increased the District's net position by \$18,564,464 during the 2016-17 fiscal year. The key elements of the changes in the District's net position for the fiscal years ended June 30, 2017, and June 30, 2016, are as follows:

Operating Results for the Fiscal Year Ended

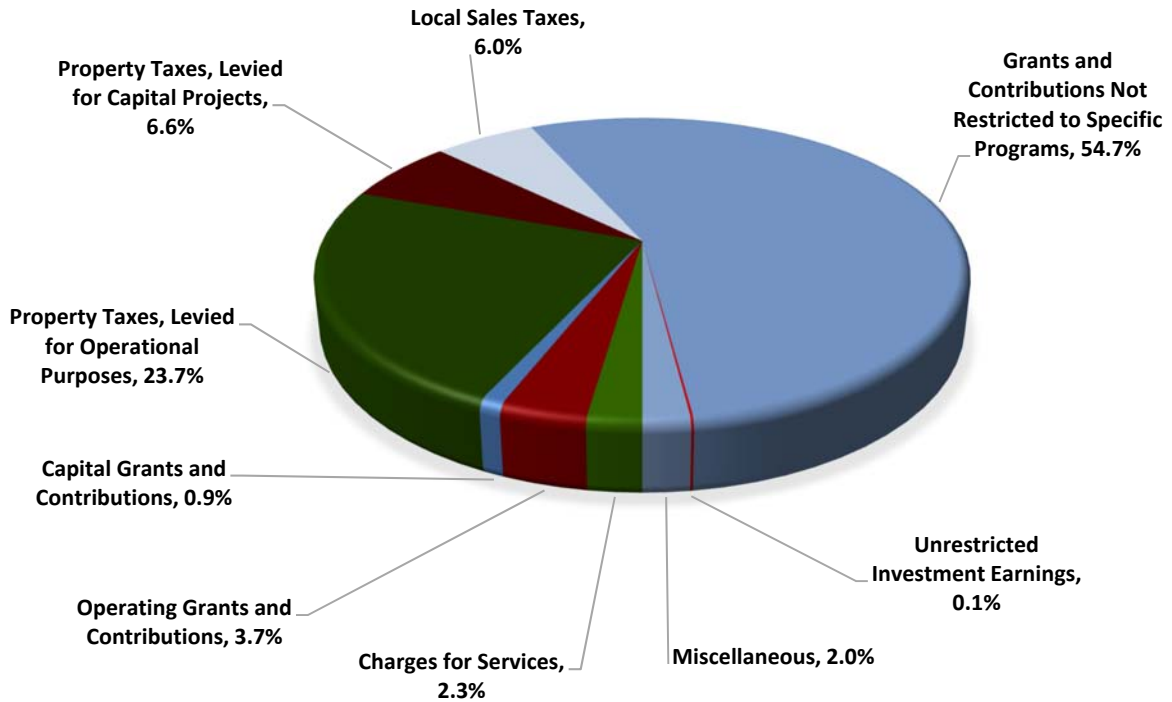
	Governmental Activities		Business-Type Activities		Total	
	6-30-17	6-30-16	6-30-17	6-30-16	6-30-17	6-30-16
Program Revenues:						
Charges for Services	\$ 7,888,596	\$ 8,485,789	\$ -	\$ -	\$ 7,888,596	\$ 8,485,789
Operating Grants and Contributions	13,068,688	13,288,855	-	-	13,068,688	13,288,855
Capital Grants and Contributions	3,338,494	993,089	-	-	3,338,494	993,089
General Revenues:						
Property Taxes, Levied for Operational Purposes	83,663,165	86,459,721	-	-	83,663,165	86,459,721
Property Taxes, Levied for Capital Projects	23,451,281	22,761,938	-	-	23,451,281	22,761,938
Local Sales Taxes	21,347,064	21,003,294	-	-	21,347,064	21,003,294
Grants and Contributions Not Restricted to Specific Programs	192,966,948	183,362,584	-	-	192,966,948	183,362,584
Unrestricted Investment Earnings	374,152	817,032	102	178	374,254	817,210
Miscellaneous	6,808,456	5,064,417	-	-	6,808,456	5,064,417
Total Revenues	352,906,844	342,236,719	102	178	352,906,946	342,236,897
Functions/Program Expenses:						
Instruction	168,407,187	157,511,024	-	-	168,407,187	157,511,024
Student Support Services	10,040,738	9,639,003	-	-	10,040,738	9,639,003
Instructional Media Services	4,013,365	3,760,019	-	-	4,013,365	3,760,019
Instruction and Curriculum Development Services	14,306,730	15,216,758	-	-	14,306,730	15,216,758
Instructional Staff Training Services	2,211,582	1,648,972	-	-	2,211,582	1,648,972
Instruction-Related Technology	2,833,268	2,470,701	-	-	2,833,268	2,470,701
Board	1,382,739	1,000,491	-	-	1,382,739	1,000,491
General Administration	2,279,257	2,299,339	-	-	2,279,257	2,299,339
School Administration	21,627,678	19,687,035	-	-	21,627,678	19,687,035
Facilities Acquisition and Construction	3,043,329	2,139,460	-	-	3,043,329	2,139,460
Fiscal Services	2,335,912	2,392,184	-	-	2,335,912	2,392,184
Food Services	13,405,439	12,105,248	-	-	13,405,439	12,105,248
Central Services	6,562,677	5,941,535	-	-	6,562,677	5,941,535
Student Transportation Services	13,797,033	12,685,516	-	-	13,797,033	12,685,516
Operation of Plant	19,294,832	19,168,787	-	-	19,294,832	19,168,787
Maintenance of Plant	9,351,310	8,843,049	-	-	9,351,310	8,843,049
Administrative Technology Services	5,478,451	5,155,485	-	-	5,478,451	5,155,485
Community Services	7,418,669	6,923,223	-	-	7,418,669	6,923,223
Unallocated Interest on Long-Term Debt	6,707,226	9,490,166	-	-	6,707,226	9,490,166
Unallocated Depreciation Expense	18,664,821	17,427,820	-	-	18,664,821	17,427,820
Loss on Disposal of Capital Assets	1,180,137	-	-	-	1,180,137	-
District Permitting Office	-	-	4,570	3,691	4,570	3,691
Total Functions/Program Expenses	334,342,380	315,505,815	4,570	3,691	334,346,950	315,509,506
Change in Net Position	18,564,464	26,730,904	(4,468)	(3,513)	18,559,996	26,727,391
Net Position - Beginning	157,989,694	131,258,790	72,236	75,749	158,061,930	131,334,539
Adjustment to Beginning Net Position	(5,093,743)	-	-	-	(5,093,743)	-
Net Position - Beginning, as Restated	152,895,951	131,258,790	72,236	75,749	152,968,187	131,334,539
Net Position - Ending	\$ 171,460,415	\$ 157,989,694	\$ 67,768	\$ 72,236	\$ 171,528,183	\$ 158,061,930

The largest revenue source is the State of Florida (48.6 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

Grants and contributions not restricted to specific programs revenues increased by \$9,604,364, or 5.2 percent, primarily due to an increase in State per student funding and an increase in Federal funding for certain Federal programs.

The following chart depicts the distribution of revenues of the District as a whole for the 2016-17 fiscal year.

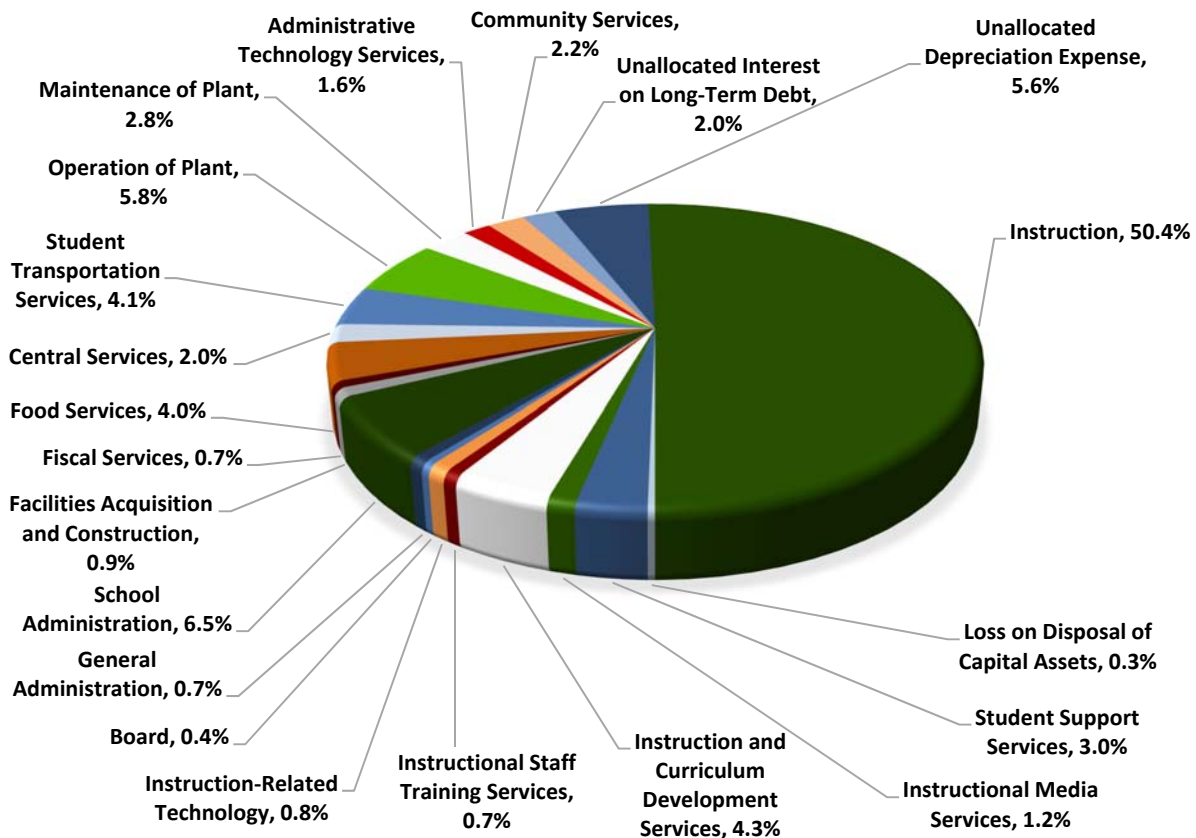
**Governmental Activities
Revenues by Source – Statement of Activities
2016-17 Fiscal year**



Instruction expenses represent 50.4 percent of total governmental expenses in the 2016-17 fiscal year. Instruction expenses increased by \$10,896,163, or 6.9 percent, from the previous fiscal year due mainly from the amortization of the increase in net pension liability.

The following chart depicts the distribution of expenditures of the District as a whole for the 2016-17 fiscal year.

**Governmental Activities
Expenses – Statement of Activities
2016-17 Fiscal year**



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

The total fund balances of governmental funds increased by \$4,384,792 during the fiscal year to \$130,661,749 at June 30, 2017. Approximately 11.5 percent of this amount is unassigned fund balance (\$15,060,548), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it is (1) not in spendable form (\$1,620,081), (2) restricted for particular purposes (\$94,856,506), or (3) assigned for particular purposes (\$19,124,614).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$15,060,548, while the total fund balance is \$40,190,269. As a measure of the General Fund's liquidity, it may be useful to compare the total assigned and unassigned fund balances to General Fund total revenues. The total assigned and unassigned fund balance is 13 percent of the total General Fund revenues, far exceeding the minimum statute requirement of 3 percent, while total fund balance represents 15.3 percent of total General Fund revenues.

Total fund balance increased by \$5,810,406 during the fiscal year. Key factors impacting the change in fund balance are as follows:

- Increase in State revenues of \$8,267,246, primarily due to an increase in FEFP revenues due to increasing student enrollment.
- Decrease in the local property tax rate resulted in decreased tax revenues of \$2,796,556.

The Special Revenue – Other Fund has total revenues and expenditures of \$22,666,836 each. Because grant revenues are not recognized until expenditures are incurred, this fund generally does not accumulate a fund balance.

The Capital Projects – Other Fund has a total fund balance of \$39,315,531. The fund balance for this fund is restricted for the acquisition, construction, and maintenance of capital assets. Of the total fund balances, \$4,981,227 has been encumbered for several renovation and remodeling projects. The fund balances increased in the current fiscal year due to the completion of various major construction projects in prior years and the decrease in capital outlay expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2016-17 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$4,911,771, or 1.9 percent. At the same time, final appropriations are more than the original budgeted amounts by \$7,386,200. Budget revisions occurred primarily from changes in estimated State funding levels and corresponding adjustments to planned expenditures to ensure maintenance of an adequate fund balance.

Actual revenues are in line with the final budgeted amounts while actual expenditures are \$30,823,956, or 10.5 percent, less than final budget amounts. The decrease in expenditures was primarily due to continued cost containment measures implemented by the District. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by \$30,578,628.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2017, is \$402,313,353 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

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

- The District increased the capitalized asset threshold from \$750 to \$1,000.
- The District completed 12 new construction projects.

Additional information on the District's capital assets can be found in Notes I.F.4. and III.C. to the financial statements.

Capital Assets (Net of Depreciation)

	Governmental Activities	
	6-30-17	6-30-16
Land	\$ 17,486,642	\$ 15,682,454
Construction in Progress	7,158,357	21,171,649
Improvements Other Than Buildings	9,808,639	10,739,945
Buildings and Fixed Equipment	342,160,704	319,368,666
Furniture, Fixtures, and Equipment	10,767,749	13,876,278
Motor Vehicles	11,289,302	13,374,998
Audio Visual Materials and Computer Software	3,641,960	3,654,039
Total Capital Assets	<u>\$ 402,313,353</u>	<u>\$ 397,868,029</u>

Long-Term Debt

At June 30, 2017, the District has total long-term debt outstanding of \$194,147,878, composed of \$1,419,904 of State School Bonds payable, which are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax, \$70,831,550 of Sales Tax Revenue Bonds secured by District sales tax revenue, \$115,488,240 of certificates of participation, and \$6,408,184 of installment-purchase payable. During the current fiscal year, retirement of debt was \$13,998,762 including premium amortization of \$742,800.

Schedule of Outstanding Capital Asset Related Debt

	Governmental Activities	
	6-30-17	6-30-16
Note Payable	\$ -	\$ 1,120,000
Installment-Purchase Payable	6,408,184	7,252,145
State School/Sales Tax Revenue Bonds	72,251,454	77,779,255
Certificates of Participation Payable	115,488,240	121,995,240
Total Long Term Debt	<u>\$ 194,147,878</u>	<u>\$ 208,146,640</u>

The District maintains an "AA" rating from Fitch Ratings for its sales tax revenue bonds, which was affirmed in March 2017. Moody's Investors Service affirmed the District's certificates of participation "Aa3" bond rating in December 2013.

Additional information on the District's long-term debt can be found in Notes I.F.6., III.H., and III.I. to the financial statements.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Assistant Superintendent for Business Services, Leon County District School Board, 2757 West Pensacola Street, Tallahassee, Florida 32304-2998.

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BASIC FINANCIAL STATEMENTS

Leon County District School Board Statement of Net Position June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 89,520,775	\$ 67,855	\$ 89,588,630	\$ 1,685,801
Investments	14,111,559	-	14,111,559	-
Accounts Receivable	517,650	-	517,650	72,176
Due from Other Agencies	10,304,501	-	10,304,501	356,074
Prepaid Items	4,608	-	4,608	98,678
Inventories	1,620,081	-	1,620,081	-
Other Assets	-	-	-	222,928
Restricted Assets:				
Cash Equivalents with Fiscal Agents	30,092,917	-	30,092,917	89,326
Investments with Fiscal Agents	2,841,096	-	2,841,096	-
Capital Assets:				
Nondepreciable Capital Assets	24,644,999	-	24,644,999	4,420,069
Depreciable Capital Assets, Net	377,668,354	-	377,668,354	13,667,004
TOTAL ASSETS	551,326,540	67,855	551,394,395	20,612,056
DEFERRED OUTFLOWS OF RESOURCES				
Pensions	62,640,060	-	62,640,060	1,767,840
LIABILITIES				
Accrued Salaries and Benefits	10,198,047	-	10,198,047	114,893
Payroll Deductions and Withholdings	4,336,615	-	4,336,615	-
Accounts Payable	3,274,821	87	3,274,908	869,098
Construction Contracts Payable	272,618	-	272,618	-
Due to Other Agencies	14,944	-	14,944	614,571
Matured Interest Payable	3,000	-	3,000	-
Deposits Payable	251,393	-	251,393	-
Unearned Revenues	-	-	-	13,000
Long-Term Liabilities:				
Portion Due Within One Year	12,195,943	-	12,195,943	321,222
Portion Due After One Year	398,728,262	-	398,728,262	19,723,371
TOTAL LIABILITIES	429,275,643	87	429,275,730	21,656,155
DEFERRED INFLOWS OF RESOURCES				
Pensions	13,230,542	-	13,230,542	121,984
NET POSITION				
Net Investment in Capital Assets	208,165,475	-	208,165,475	601,028
Restricted for:				
State Required Carryover Programs	4,897,161	-	4,897,161	-
Debt Service	29,101,933	-	29,101,933	-
Capital Projects	57,341,743	-	57,341,743	-
Food Service	4,027,804	-	4,027,804	-
Other Purposes	-	-	-	187,868
Unrestricted	(132,073,701)	67,768	(132,005,933)	(187,139)
TOTAL NET POSITION	\$ 171,460,415	\$ 67,768	\$ 171,528,183	\$ 601,757

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, 2017**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 168,407,187	\$ 6,791,960	\$ -	\$ -
Student Support Services	10,040,738	-	-	-
Instructional Media Services	4,013,365	-	-	-
Instruction and Curriculum Development Services	14,306,730	-	-	-
Instructional Staff Training Services	2,211,582	-	-	-
Instruction-Related Technology	2,833,268	-	-	-
Board	1,382,739	-	-	-
General Administration	2,279,257	-	-	-
School Administration	21,627,678	-	-	-
Facilities Acquisition and Construction	3,043,329	-	-	2,777,686
Fiscal Services	2,335,912	-	-	-
Food Services	13,405,439	1,096,636	12,608,674	-
Central Services	6,562,677	-	-	-
Student Transportation Services	13,797,033	-	-	-
Operation of Plant	19,294,832	-	-	-
Maintenance of Plant	9,351,310	-	460,014	-
Administrative Technology Services	5,478,451	-	-	-
Community Services	7,418,669	-	-	-
Unallocated Interest on Long-Term Debt	6,707,226	-	-	560,808
Unallocated Depreciation Expense	18,664,821	-	-	-
Loss on Disposal of Capital Assets	1,180,137	-	-	-
Total Governmental Activities	334,342,380	7,888,596	13,068,688	3,338,494
Business-Type Activities:				
District Permitting Office	4,570	-	-	-
Total Primary Government	\$ 334,346,950	\$ 7,888,596	\$ 13,068,688	\$ 3,338,494
Component Units				
Charter Schools/Educational Foundation	\$ 16,965,884	\$ 516,148	\$ 1,500,149	\$ 509,803

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

Total General Revenues

Change in Net Position

Net Position - Beginning

Adjustment to Beginning Net Position

Net Position - Beginning, as Restated

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (161,615,227)	\$ -	\$ (161,615,227)	\$ -
(10,040,738)	-	(10,040,738)	-
(4,013,365)	-	(4,013,365)	-
(14,306,730)	-	(14,306,730)	-
(2,211,582)	-	(2,211,582)	-
(2,833,268)	-	(2,833,268)	-
(1,382,739)	-	(1,382,739)	-
(2,279,257)	-	(2,279,257)	-
(21,627,678)	-	(21,627,678)	-
(265,643)	-	(265,643)	-
(2,335,912)	-	(2,335,912)	-
299,871	-	299,871	-
(6,562,677)	-	(6,562,677)	-
(13,797,033)	-	(13,797,033)	-
(19,294,832)	-	(19,294,832)	-
(8,891,296)	-	(8,891,296)	-
(5,478,451)	-	(5,478,451)	-
(7,418,669)	-	(7,418,669)	-
(6,146,418)	-	(6,146,418)	-
(18,664,821)	-	(18,664,821)	-
(1,180,137)	-	(1,180,137)	-
(310,046,602)	-	(310,046,602)	-
-	(4,570)	(4,570)	-
(310,046,602)	(4,570)	(310,051,172)	-
-	-	-	(14,439,784)
83,663,165	-	83,663,165	-
23,451,281	-	23,451,281	-
21,347,064	-	21,347,064	-
192,966,948	-	192,966,948	14,953,391
374,152	102	374,254	10,364
6,808,456	-	6,808,456	135,987
328,611,066	102	328,611,168	15,099,742
18,564,464	(4,468)	18,559,996	659,958
157,989,694	72,236	158,061,930	149,415
(5,093,743)	-	(5,093,743)	(207,616)
152,895,951	72,236	152,968,187	(58,201)
\$ 171,460,415	\$ 67,768	\$ 171,528,183	\$ 601,757

**Leon County District School Board
Balance Sheet – Governmental Funds
June 30, 2017**

	<u>General Fund</u>	<u>Special Revenue - Other Fund</u>	<u>Capital Projects - Other Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 36,689,330	\$ -	\$ 35,899,000
Investments	14,082,025	-	-
Accounts Receivable	503,703	-	-
Due from Other Funds	2,725,957	-	274,035
Due from Other Agencies	498,883	3,523,908	3,738,241
Prepaid Items	4,608	-	-
Inventories	1,107,946	-	-
Restricted Assets:			
Cash Equivalent with Fiscal Agents	100,000	-	252
Investments with Fiscal Agents	-	-	-
TOTAL ASSETS	\$ 55,712,452	\$ 3,523,908	\$ 39,911,528
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	\$ 9,141,001	\$ 1,010,785	\$ -
Payroll Deductions and Withholdings	4,021,913	300,973	-
Accounts Payable	1,481,619	236,270	543,021
Construction Contracts Payable	-	-	52,976
Due to Other Funds	868,017	1,970,569	-
Due to Other Agencies	9,633	5,311	-
Matured Interest Payable	-	-	-
Deposits Payable	-	-	-
Total Liabilities	15,522,183	3,523,908	595,997
Fund Balances:			
Nonspendable for Inventories	1,107,946	-	-
Restricted for:			
State Required Carryover Programs	4,897,161	-	-
Debt Service	-	-	-
Capital Projects	-	-	39,315,531
Food Service	-	-	-
Total Restricted Fund Balance	4,897,161	-	39,315,531
Assigned for:			
Purchases on Order	1,838,054	-	-
Specific Projects	17,286,560	-	-
Total Assigned Fund Balance	19,124,614	-	-
Unassigned Fund Balance	15,060,548	-	-
Total Fund Balances	40,190,269	-	39,315,531
TOTAL LIABILITIES AND FUND BALANCES	\$ 55,712,452	\$ 3,523,908	\$ 39,911,528

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

Other Governmental Funds		Total Governmental Funds	
\$	16,932,445	\$	89,520,775
	29,534		14,111,559
	13,947		517,650
	868,017		3,868,009
	1,788,081		9,549,113
	-		4,608
	512,135		1,620,081
	29,992,665		30,092,917
	2,841,096		2,841,096
\$	52,977,920	\$	152,125,808
\$	46,261	\$	10,198,047
	13,729		4,336,615
	1,013,911		3,274,821
	219,642		272,618
	274,035		3,112,621
	-		14,944
	3,000		3,000
	251,393		251,393
	1,821,971		21,464,059
	512,135		1,620,081
	-		4,897,161
	29,101,933		29,101,933
	18,026,212		57,341,743
	3,515,669		3,515,669
	50,643,814		94,856,506
	-		1,838,054
	-		17,286,560
	-		19,124,614
	-		15,060,548
	51,155,949		130,661,749
\$	52,977,920	\$	152,125,808

**Leon County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017**

Total Fund Balances - Governmental Funds \$ 130,661,749

Amounts reported for governmental activities in the statement of net position 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. 402,313,353

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:

Estimated Insurance Claims Payable	\$ (5,055,016)	
Installment-Purchase Payable	(6,408,184)	
Bonds Payable	(72,251,454)	
Certificates of Participation Payable	(115,488,240)	
Compensated Absences Payable	(31,629,728)	
Net Pension Liability	(162,967,739)	
Other Postemployment Benefits Payable	<u>(17,123,844)</u>	(410,924,205)

The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows Related to Pensions	\$ 62,640,060	
Deferred Inflows Related to Pensions	<u>(13,230,542)</u>	<u>49,409,518</u>

Net Position - Governmental Activities \$ 171,460,415

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, 2017**

	General Fund	Special Revenue - Other Fund	Capital Projects - Other Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 258,193	\$ 1,997,937	\$ -
Federal Through State and Local	15,167	20,668,899	-
State	167,229,259	-	-
Local:			
Property Taxes	83,663,165	-	-
Local Sales Taxes	-	-	21,347,064
Charges for Services - Food Service	-	-	-
Miscellaneous	11,758,414	-	120,167
Total Local Revenues	<u>95,421,579</u>	<u>-</u>	<u>21,467,231</u>
Total Revenues	<u>262,924,198</u>	<u>22,666,836</u>	<u>21,467,231</u>
Expenditures			
Current - Education:			
Instruction	151,917,257	10,914,553	-
Student Support Services	8,892,918	794,268	-
Instructional Media Services	3,860,998	6,759	-
Instruction and Curriculum Development Services	8,438,468	5,364,079	-
Instructional Staff Training Services	990,071	1,197,320	-
Instruction-Related Technology	2,583,815	156,266	-
Board	1,353,134	9,973	-
General Administration	1,164,036	1,076,298	-
School Administration	20,754,992	33,004	-
Facilities Acquisition and Construction	657,764	119,283	1,835,591
Fiscal Services	2,249,209	-	-
Food Services	-	-	-
Central Services	6,280,841	80,448	-
Student Transportation Services	13,275,937	76,849	21,570
Operation of Plant	18,981,514	7,504	-
Maintenance of Plant	9,072,486	4,362	-
Administrative Technology Services	5,321,894	-	-
Community Services	5,172,905	2,176,648	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	410,143	-	5,406,598
Other Capital Outlay	864,524	649,222	1,990,957
Debt Service:			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>262,242,906</u>	<u>22,666,836</u>	<u>9,254,716</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>681,292</u>	<u>-</u>	<u>12,212,515</u>
Other Financing Sources (Uses)			
Transfers In	5,129,114	-	-
Transfers Out	-	-	(7,464,525)
Total Other Financing Sources (Uses)	<u>5,129,114</u>	<u>-</u>	<u>(7,464,525)</u>
Net Change in Fund Balances	5,810,406	-	4,747,990
Fund Balances, Beginning	34,379,863	-	34,567,541
Fund Balances, Ending	<u>\$ 40,190,269</u>	<u>\$ 0</u>	<u>\$ 39,315,531</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 2,594,569	\$ 4,850,699
12,431,483	33,115,549
4,178,624	171,407,883
23,451,281	107,114,446
-	21,347,064
1,096,636	1,096,636
374,904	12,253,485
<u>24,922,821</u>	<u>141,811,631</u>
<u>44,127,497</u>	<u>351,185,762</u>
-	162,831,810
-	9,687,186
-	3,867,757
-	13,802,547
-	2,187,391
-	2,740,081
-	1,363,107
-	2,240,334
-	20,787,996
404,534	3,017,172
-	2,249,209
13,184,491	13,184,491
-	6,361,289
-	13,374,356
-	18,989,018
-	9,076,848
-	5,321,894
-	7,349,553
18,226,806	24,043,547
114,694	3,619,397
13,255,961	13,255,961
7,450,026	7,450,026
<u>52,636,512</u>	<u>346,800,970</u>
<u>(8,509,015)</u>	<u>4,384,792</u>
20,401,765	25,530,879
<u>(18,066,354)</u>	<u>(25,530,879)</u>
2,335,411	-
(6,173,604)	4,384,792
57,329,553	126,276,957
<u>\$ 51,155,949</u>	<u>\$ 130,661,749</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, 2017**

Net Change in Fund Balances - Governmental Funds \$ 4,384,792

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 capital outlays in excess of depreciation expense in the current fiscal year.	10,719,204
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 fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.	(1,180,137)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments in the current fiscal year.	13,255,961
Amortized expenses for deferred charges and premiums on debt issues not reported in the governmental funds.	742,800
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 earned in excess of the amount paid in the current fiscal year.	(3,009,817)
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.	(562,752)
The net increase in the liability for estimated insurance claims is reported in the statement of activities, but not in the governmental funds statements.	(840,167)
Governmental funds report District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense.	

FRS Pension Contribution	\$ 10,278,395	
HIS Pension Contribution	2,910,109	
FRS Pension Expense	(13,678,411)	
HIS Pension Expense	(4,455,513)	(4,945,420)

Change in Net Position - Governmental Activities \$ 18,564,464

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

**Leon County District School Board
Statement of Net Position – Proprietary Fund
June 30, 2017**

	<u>Business-Type Activities - Nonmajor Enterprise Fund District Permitting Office</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 67,855</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>87</u>
NET POSITION	
Unrestricted	<u>\$ 67,768</u>

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

**Leon County District School Board
Statement of Revenues, Expenses, and Changes in Fund
Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2017**

	Business-Type Activities - Nonmajor Enterprise Fund District Permitting Office
OPERATING EXPENSES	
Purchased Services	\$ 3,470
Capital Outlay	125
Other	975
Total Operating Expenses	4,570
Operating Loss	(4,570)
NONOPERATING REVENUES	
Interest	102
Change in Net Position	(4,468)
Total Net Position - Beginning	72,236
Total Net Position - Ending	\$ 67,768

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, 2017**

	<u>Business-Type Activities - Nonmajor Enterprise Fund District Permitting Office</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Payments to Suppliers for Goods and Services	\$ (4,653)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	102
Net Decrease in Cash and Cash Equivalents	(4,551)
Cash and Cash Equivalents, Beginning	72,406
Cash and Cash Equivalents, Ending	\$ 67,855

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:

Operating Loss	\$ (4,570)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Payable	(83)
Net Cash Used by Operating Activities	\$ (4,653)

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

Leon County District School Board
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2017

	Other Employee Benefits Trust Fund	Private-Purpose Trust Fund	Agency Funds
ASSETS			
Cash and Cash Equivalents	\$ 12,765,542	\$ 40,030	\$ 4,380,563
Investments	3,380	-	-
Accounts Receivable	11,696	-	-
TOTAL ASSETS	\$ 12,780,618	\$ 40,030	\$ 4,380,563
LIABILITIES			
Payroll Deductions and Withholdings	\$ 7,800,884	\$ -	\$ -
Due to Other Funds	-	-	755,388
Internal Accounts Payable	-	-	3,625,175
TOTAL LIABILITIES	7,800,884	-	\$ 4,380,563
NET POSITION			
Held in Trust for Employee Benefits and Other Purposes	\$ 4,979,734	\$ 40,030	

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

Leon County District School Board
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
For the Fiscal Year Ended June 30, 2017

	Other Employee Benefits Trust Fund	Private-Purpose Trust Fund
ADDITIONS		
Contributions:		
Employer	\$ 21,959,536	\$ -
Plan Members	19,673,686	-
Total Contributions	41,633,222	-
Investment Income:		
Interest, Dividends, and Other	18,636	47
Total Additions	41,651,858	47
DEDUCTIONS		
Purchased Services	26,773	-
Payments to Providers	41,680,423	-
Total Deductions	41,707,196	-
Change in Net Position	(55,338)	47
Net Position - Beginning	5,035,072	39,983
Net Position - Ending	\$ 4,979,734	\$ 40,030

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees charged to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Leon County School District's (District) 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. Depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. 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 District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education (SBE) rules. 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 legally separate 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. Based on the application of these criteria, the following component units are included within the District's reporting entity:

Blended Component Units. Blended component units are, in substance, part of the District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District.

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 the VEBT, the financial activities of the VEBT are reported in the accompanying basic financial statements. Separate financial statements for the VEBT are not published.

The Leon County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note III.I.1. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

Discretely Presented Component Units. The component units' columns in the government-wide financial statements include the financial data of the District's other component units. A separate column is used to emphasize that they are legally separate from the District.

The Foundation for Leon County Schools, Inc. (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. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

The School of Arts and Sciences on Thomasville Road; the School of Arts and Sciences at the Centre; Stars Education Services, Inc.; Imagine-Leon County, LLC; and Governors Charter Academy (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. Each charter school operates under a charter approved by its sponsor, the Board. A portion of these not-for-profit corporations' funding comes from the District based on their weighted full-time equivalent student membership and the Legislature approved funding for the District. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charters, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the Foundation's and charter schools' audited financial statements for the fiscal year ended June 30, 2017. The audit reports are filed in the District's administrative offices at 2757 West Pensacola Street, Tallahassee, Florida 32304-2998.

C. Basis of Presentation: Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise fund. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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.

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – Other Fund – to account for certain Federal grant program resources.
- Capital Projects – Other Fund – to account for various financial resources (e.g., certificates of participation and capital outlay sales tax) 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 the VEBT that administers the District's employee group health, life, and dental insurance programs, as well as the dependent care and medical expense reimbursement programs.
- Private-Purpose Trust Fund – to account for resources of the Frank Stoutamire Scholarship Trust Fund, the interest earnings of which are used for scholarships to students at Lively Technical Center.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at fiscal year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized as soon as they are both 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. For this purpose, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Sales taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary, other employee benefits trust, and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

The Foundation is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The charter schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term liquid investments with original maturities of 3 months or less from the date of acquisition. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME and money market accounts.

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, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. Cash equivalents 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.

2. Investments

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME investment pool created by Section 218.405, Florida Statutes, and those made locally. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in Florida PRIME, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

Investments made locally consist of United States Treasury Securities, obligations of United States government agencies and instrumentalities, corporate and municipal bonds, which are reported at fair value; and money market funds which are reported at amortized cost.

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

3. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost

of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. 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 position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at acquisition value at the date of donation. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

<u>Description</u>	<u>Estimated Useful Lives</u>
Improvements Other Than Buildings	8 - 35 years
Buildings and Fixed Equipment	40 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	3 - 5 years

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

5. Pensions

In the government-wide statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The District's retirement plans and related amounts are described in a subsequent note.

6. 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 position. Debt premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The District only has one item that qualifies for reporting in this category. The deferred outflows of resources related to pensions are discussed in a subsequent note.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District only has one item that qualifies for reporting in this category. The deferred inflows of resources related to pensions are discussed in a subsequent note.

8. Net Position Flow Assumption

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund Balance Flow Assumptions

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority.

The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2017.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by approval of the annual financial report, authorized the assignment of fund balance. The Board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues 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.

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the FDOE 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 FDOE. The FDOE 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 5 months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The FDOE 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 fiscal year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. SBE 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 fiscal year to be expended for the same educational

programs. The FDOE 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 FDOE.

A schedule of revenue from State sources for the current year is presented in a subsequent note.

3. 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 2016 tax levy on September 6, 2016. 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 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.

4. Capital Outlay Surtax

In November 2012, the voters of Leon County approved a one-half cent school capital outlay surtax on sales in the County for 15 years, effective January 1, 2013, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

5. 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.

6. Compensated Absences

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 for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

7. Proprietary Fund Operating and Nonoperating Revenues and Expenses

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 fund's 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.

II. ACCOUNTING CHANGES

A. Change in Reporting Entity.

The District reduced the beginning net position for the aggregate discretely presented component units by \$207,616 due to the closure of the Woodville Middle School of Leadership Through History and Civics and Imagine School at Evening Rose. The restated beginning net position affects the comparability of amounts reported for the 2016-17 fiscal year with amounts reported for the 2015-16 fiscal year.

B. Change in Capitalization Threshold.

The District previously defined capital assets as those costing more than \$750, and during the 2016-17 fiscal year, the District changed the capitalization threshold to \$1,000. As a result of this accounting change, the District reduced the beginning capital assets and accumulated depreciation balances by \$12,923,833 and \$7,830,090, respectively. This accounting change restates the total beginning net position by \$5,093,743 and affects the comparability of amounts reported for the 2016-17 fiscal year with amounts reported for the 2015-16 fiscal year.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

Custodial Credit Risk-Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District does not have a policy for custodial credit risk. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

B. Investments

The District's investments at June 30, 2017, are reported as follows:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1)	39 Day Average	\$ 20,103,331
Debt Service Accounts	6 Months	29,534
First American US Treasury Money Market Fund Class A (1)	35 Day Average	7,572
First American Government Obligations Fund Class Z (1)	34 Day Average	10,492,556
Fidelity Investments Money Market Government Portfolio Class I (1)	28 Day Average	17,714,146
Corporate Money Market Funds Cash Pool (1)	10 Day Average	1,366,200
United States Treasury Securities	Less than 1 Year	5,306,196
Obligations of United States Government		
Agencies and Instrumentalities	Less than 1 Year	3,502,821
	1 to 5 Years	41,848
	Over 10 Years	3,914,990
Corporate Bonds	Less than 5 Years	2,351,605
Municipal Bonds	Less than 5 Years	1,805,661
Total Investments and Investments with Fiscal Agents, Primary Government		<u>\$ 66,636,460</u>

Note: (1) These investments are reported as cash equivalents for financial statement reporting purposes.

Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
SBA Debt Service	\$ 29,534	\$ 29,534	\$ -	\$ -
United States Treasury Securities	5,306,196	-	5,306,196	-
Obligations of United States Government				
Agencies and Instrumentalities	7,459,659	-	7,459,659	-
Corporate Bonds	2,351,605	-	2,351,605	-
Municipal Bonds	1,805,661	-	1,805,661	-
Total investments by fair value level	<u>16,952,655</u>	<u>\$ 29,534</u>	<u>\$ 16,923,121</u>	<u>\$ 0</u>
Investments measured at amortized cost:				
SBA Florida PRIME	20,103,331			
Money Market Funds	<u>29,580,474</u>			
Total investments measured at amortized cost	<u>49,683,805</u>			
Total District Investments and Investments with Fiscal Agents, Primary Government	<u>\$ 66,636,460</u>			
Fiduciary Fund				
SBA Florida PRIME	<u>\$ 3,380</u>			

Interest Rate Risk

Interest rate risk is the risk that changes in 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. The District's investment policy limits investment maturities to a maximum of 5 years, unless specifically matched with cash flow needs as a means of managing its exposure to fair value losses arising from increasing interest rates.

Florida PRIME uses a weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2017, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other 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 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 limits investments to United States Treasury securities, obligations of United States Government Agencies and Instrumentalities, residential and commercial mortgage-backed securities with the highest rating from at least one of the six nationally recognized statistical rating organizations, corporate securities with the second highest rating from at least two of the six nationally recognized statistical rating organizations, State and/or Local Government Taxable and/or Tax-Exempt Debt with the second

highest rating from at least two of the six nationally recognized statistical rating organizations, and certificates of deposit in State qualified public depositories, as well as the Local Government Surplus Funds Trust Fund.

The District's investments in the SBA debt service accounts are to provide for debt service payments on bond debt issued by the SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

The District's investment in Florida PRIME is rated AAAM by Standard & Poor's. The District's investments in First American US Treasury Money Market Fund Class A, First American Government Obligations Fund Class Z, and Fidelity Investments Money Market Government Portfolio Class I are rated AAAM by Standard and Poor's. The District's investments in municipal and corporate bonds are rated at least A by Standard & Poor's and A1 by Moody's Investors Service.

The District's investment in the Federal Home Loan Bank, Federal National Mortgage Association, Government National Mortgage Association, and the Federal Farm Credit Bank, are backed by the full faith and credit of the United States government.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District 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, the investment must be immediately placed for safekeeping in a secured vault. The District's investment policy addresses custodial credit risk in that all securities, with the exception of certificates of deposit, are held with a third-party custodian; and all securities purchased by, and all collateral obtained by the District, should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution.

The District's \$18,289,321 investments in United States Treasury securities, obligations of United States Government Agencies and Instrumentalities, corporate money market funds cash pool, corporate bonds, and municipal bonds are held with the safekeeping agent, in the name of the District. First American US Treasury Class A Money Market Fund, First American Government Obligation Class Z Money Market Fund, and Fidelity Investments Government Portfolio Class I Money Market

Fund are held pursuant to a trust agreement in connection with the issuance of various Certificates of Participation.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy requires the concentration limits not to exceed 15 percent for certain portfolios. No single issuer exceeded 5 percent of the District's total investments. The District's investment in Federal Home Loan Bank is 5.2 percent of the investments in the General Fund and the District's investment in Government National Mortgage Association is 9.1 percent of the investments in the other governmental funds.

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Adjustments (1)	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land	\$ 15,682,454	\$ -	\$ 1,804,188	\$ -	\$ 17,486,642
Construction in Progress	21,171,649	-	18,308,896	32,322,188	7,158,357
Total Capital Assets Not Being Depreciated	36,854,103	-	20,113,084	32,322,188	24,644,999
Capital Assets Being Depreciated:					
Improvements Other Than Buildings	36,388,487	(2,681)	-	-	36,385,806
Buildings and Fixed Equipment	520,549,816	(2,124,189)	37,444,587	37,431	555,832,783
Furniture, Fixtures, and Equipment	49,754,952	(9,951,666)	3,000,570	3,787,139	39,016,717
Motor Vehicles	33,962,088	(11,212)	136,389	2,692,019	31,395,246
Audio Visual Materials and Computer Software	8,585,975	(834,085)	1,011,583	1,233,402	7,530,071
Total Capital Assets Being Depreciated	649,241,318	(12,923,833)	41,593,129	7,749,991	670,160,623
Less Accumulated Depreciation for:					
Improvements Other Than Buildings	25,648,542	(2,680)	931,305	-	26,577,167
Buildings and Fixed Equipment	201,181,150	(121,928)	12,612,857	-	213,672,079
Furniture, Fixtures, and Equipment	35,878,674	(7,045,149)	2,278,027	2,862,584	28,248,968
Motor Vehicles	20,587,090	19,948	2,113,826	2,614,920	20,105,944
Audio Visual Materials and Computer Software	4,931,936	(680,281)	728,806	1,092,350	3,888,111
Total Accumulated Depreciation	288,227,392	(7,830,090)	18,664,821	6,569,854	292,492,269
Total Capital Assets Being Depreciated, Net	361,013,926	(5,093,743)	22,928,308	1,180,137	377,668,354
Governmental Activities Capital Assets, Net	\$ 397,868,029	\$ (5,093,743)	\$ 43,041,392	\$ 33,502,325	\$ 402,313,353

Note: (1) Adjustments to the capital asset records are explained in Note II.

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

D. Retirement Plans

1. FRS – Defined Benefit Pension Plans

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree HIS Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The District's FRS and HIS pension expense totaled \$18,133,924 for the fiscal year ended June 30, 2017.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are:

- *Regular* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers* – Members who hold specified elective offices in local government.
- *Special Risk* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal

retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable 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 to eligible participants.

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 participating 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. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>Percent Value</u>
Regular members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Elected County Officers	3.00
Special Risk	
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual

cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2016-17 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.52
FRS, Elected County Officers	3.00	42.47
FRS, Special Risk	3.00	22.57
DROP – Applicable to Members from All of the Above Classes	0.00	12.99
FRS, Reemployed Retiree	(2)	(2)

- Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.
 (2) Contribution rates are dependent upon retirement class in which reemployed.

The District’s contributions to the Plan totaled \$10,278,395 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a liability of \$99,929,574 for its proportionate share of the Plan’s net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District’s proportionate share of the net pension liability was based on the District’s 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District’s proportionate share was 0.395759454 percent, which was a decrease of 0.053998456 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized the Plan pension expense of \$13,678,411. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 7,651,377	\$ 930,412
Change of assumptions	6,045,440	-
Net difference between projected and actual earnings on FRS pension plan investments	25,830,576	-
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	-	7,990,560
District FRS contributions subsequent to the measurement date	10,278,395	-
Total	\$ 49,805,788	\$ 8,920,972

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$10,278,395, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 3,757,811
2019	3,757,811
2020	13,828,173
2021	8,985,462
2022	255,168
Thereafter	21,996
Total	\$ 30,606,421

Actuarial Assumptions. The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.60 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and

best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.0%	3.0%	1.7%
Fixed Income	18%	4.7%	4.6%	4.6%
Global Equity	53%	8.1%	6.8%	17.2%
Real Estate (Property)	10%	6.4%	5.8%	12.0%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	11.1%
Total	<u>100%</u>			
Assumed inflation - Mean			2.6%	1.9%

Note: (1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.6 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2016 valuation was updated from 7.65 percent to 7.6 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.6 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.6 percent) or 1 percentage point higher (8.6 percent) than the current rate:

	<u>1% Decrease (6.6%)</u>	<u>Current Discount Rate (7.6%)</u>	<u>1% Increase (8.6%)</u>
District's proportionate share of the net pension liability	\$ 183,977,109	\$ 99,929,574	\$ 29,971,099

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2017, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$2,910,109 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a net pension liability of \$63,038,165 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 0.540887223 percent, which was a decrease of 0.033198758 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized the HIS Plan pension expense of \$4,455,513. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 143,578
Change of assumptions	9,892,291	-
Net difference between projected and actual earnings on HIS pension plan investments	31,872	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	-	4,165,992
District contributions subsequent to the measurement date	2,910,109	-
Total	\$ 12,834,272	\$ 4,309,570

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$2,910,109, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 969,231
2019	969,231
2020	963,162
2021	960,249
2022	992,587
Thereafter	760,133
Total	\$ 5,614,593

Actuarial Assumptions. The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	2.85 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 2.85 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis,

the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2016 valuation was updated from 3.8 percent to 2.85 percent.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 2.85 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
District's proportionate share of the net pension liability	\$ 72,319,097	\$ 63,038,165	\$ 55,335,498

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

2. FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2016-17 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Elected County Officers	11.34

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

The District's Investment Plan pension expense totaled \$1,720,612 for the fiscal year ended June 30, 2017.

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB 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 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 OPEB 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 retiree healthcare costs are generally greater than active employee healthcare costs. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Employee Benefits Committee and action from the Board. The District has not advance-funded or established a funding

methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2016-17 fiscal year, 306 retirees received other postemployment benefits. The District provided required contributions of \$1,735,284 toward the annual OPEB cost, net of retiree contributions totaling \$2,289,326, which represents 1.9 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the District's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for 1 year)	\$ 1,112,945
Amortization of Unfunded Actuarial Accrued Liability	<u>2,147,776</u>
Annual Required Contribution	3,260,721
Interest on Net OPEB Obligation	546,516
Adjustment to Annual Required Contribution	<u>(1,509,201)</u>
Annual OPEB Cost (Expense)	2,298,036
Contribution Toward the OPEB Cost	<u>(1,735,284)</u>
Increase in Net OPEB Obligation	562,752
Net OPEB Obligation, Beginning of Year	<u>16,561,092</u>
Net OPEB Obligation, End of Year	<u>\$ 17,123,844</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2017, and the 2 preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014-15	\$ 2,764,980	60.4%	\$ 15,960,046
2015-16	2,346,953	74.4%	16,561,092
2016-17	2,298,036	75.5%	17,123,844

Funded Status and Funding Progress. As of October 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$24,494,807, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$24,494,807 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$119,756,603, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 20.5 percent.

Actuarial valuations of an ongoing OPEB 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, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB 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 Schedule of Funding Progress immediately following the notes to financial statements as required supplementary information, presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive OPEB 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 calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, 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.

The District's OPEB actuarial valuation as of October 1, 2015, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2017, and to estimate the District's 2016-17 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.3 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 3.25 percent per year, and an annual healthcare cost trend rate of 7 percent initially beginning October 1, 2016, reduced to an ultimate rate of 4.46 percent after 25 years. The investment rate of return and payroll growth rate include a general price inflation of 2.5 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis over a 12-year period. The remaining amortization period at June 30, 2017, was 11 years.

F. Construction and Other Significant Commitments

Construction Contracts. The following is a schedule of major construction contract commitments at fiscal year end:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Apalachee Elementary School - HVAC, Interior Finishes and Remodeling	\$ 1,565,460	\$ 969,583	\$ 595,877
Astoria Park Elementary School - Canopy and Drainage Replacement	1,567,000	1,247,567	319,433
Central Kitchen - Roof Replacement	690,000	38,950	651,050
Cobb Middle School - Interior Finishes	800,050	496,414	303,636
Cobb Middle School - Roof Replacement	2,425,000	603,414	1,821,586
Godby High School - Chiller, Stage Lighting, and Window Replacement	2,767,500	2,315,991	451,509
Hartsfield Elementary School - HVAC and Interior Finishes	1,275,000	1,073,744	201,256
Lively Technical Center - HVAC	750,000	52,983	697,017
Pineview Elementary School - Roof Replacement	545,000	353,034	191,966
Rickards High School - Theatrical Stage Lighting	159,609	6,677	152,932
Total	\$ 12,544,619	\$ 7,158,357	\$ 5,386,262

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 fiscal year's appropriations are likewise encumbered.

The following is a schedule of encumbrances at June 30, 2017:

Major Funds				
General	Special Revenue - Other	Capital Projects - Other	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,838,053	\$ 15,940	\$ 4,981,227	\$ 4,311,258	\$ 11,146,478

G. 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 \$100,000 for each property damage claim, \$500,000 for each worker's compensation claim, \$500,000 for each automobile liability claim, and \$500,000 for each general liability claim. 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. 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 \$5,055,016 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2017.

The following schedule represents the changes in claims liability for the past 2 fiscal years for the District's self-insurance program:

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2015-16	\$ 4,480,220	\$ 1,016,861	\$ (1,282,232)	\$ 4,214,849
2016-17	4,214,849	1,560,193	(720,026)	5,055,016

The District's health and hospitalization coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage.

Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past 3 fiscal years.

H. Installment-Purchase Payable

The District entered into an installment-purchase agreement on December 18, 2014, for the purchase of 50 school buses. The asset balance of the school buses is \$8,113,870.

Future minimum installment-purchase payments and the present value of the minimum installment-purchase payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 991,397	\$ 861,119	\$ 130,278
2019	991,397	878,626	112,771
2020	991,397	896,488	94,909
2021	991,397	914,714	76,683
2022	991,397	933,310	58,087
2023-2024	1,982,794	1,923,927	58,867
Total Minimum Lease Payments	\$ 6,939,779	\$ 6,408,184	\$ 531,595

The stated interest rate is 2.033 percent.

I. Long-Term Liabilities

1. Certificates of Participation

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

On November 1, 2004, the master financial arrangement was amended and the Leasing 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 the five annual payments of \$418,854, which are deposited with a trustee and are to be invested in accordance with a repurchase agreement until maturity and, when combined with interest earnings, will be sufficient to pay off the principal balance in full, at maturity on November 23, 2020.

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

On June 15, 2006, the master financing arrangement was amended and the Leasing Corporation issued COPs, Series 2006, in the amount of \$61,795,000. The 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 Leasing Corporation issued COPs, Series 2008A QZABs, in the amount of \$5,000,000. The 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 Leasing Corporation issued COPs, Series 2008B QZABs, in the amount of \$15,000,000. The 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 Leasing 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 Leasing Corporation issued COPs, Series 2010 QZABs, in the amount of \$33,209,140. The QZABs were issued to secure financing of improvements to be made at ten District schools.

On April 14, 2016, the master financing arrangement was amended and the Leasing Corporation issued COPs, Series 2016A, Refunding, in the amount of \$58,410,000, to refund the COPs, Series 2005, Refunding, and Series 2006.

As a condition of the financing arrangements, the District has given ground leases on District properties to the Leasing Corporation, with a rental fee of \$10 per year. The initial terms of the leases are approximately 35 years commencing on October 1, 1997 (Series 1997); 16 years commencing on November 1, 2004 (Series 2004 QZABs); 17 years commencing on March 1, 2005 (Series 2005, Refunding); 20 years commencing June 15, 2006 (Series 2006); 16 years commencing on March 6, 2009 (Series 2008A QZABs); 15 years commencing on July 25, 2008 (Series 2008B QZABs); 15 years commencing on July 1, 2012 (Series 2010 QSCBs); 18 years commencing on December 1, 2011 (Series 2010 QZABs), and 10 years commencing on April 14, 2016 (Series 2016A, Refunding). The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the certificates for a period of time specified by the arrangement which may be up to 35 years from the date of inception of the arrangement.

The District properties included in the ground lease under this arrangement include the Lawton Chiles High School (Series 1997, Series 2005, Refunding, and Series 2016A, Refunding); technology equipment at 24 District school sites as listed in the lease schedule for the Series 2004 QZABs; construction of Montford Middle School and Conley Elementary School, and renovations to Pineview Elementary School, Deerlake Middle School, Killlearn Lakes Elementary School, Lawton Chiles High School and Lincoln High School (Series 2006 and Series 2016A, Refunding); technology-related improvements at Riley Elementary School, Griffin Middle School, and Godby High School (Series 2008A QZABs and Series 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, Ft. Braden School, Oak Ridge Elementary School, Sabal Palm Elementary School, Springwood 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 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 September 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 lease payments for the Series 2016A, Refunding, are payable by the District, semiannually, on July 1 and January 1 at a fixed interest rate of 1.818 percent.

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:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 4,370,650	\$ 1,000,000	\$ 3,370,650
2019	10,372,031	6,597,000	3,775,031
2020	10,357,448	6,697,000	3,660,448
2021	13,649,092	10,105,000	3,544,092
2022	10,317,964	6,892,000	3,425,964
2023-2027	47,735,451	32,391,000	15,344,451
2028-2029	56,971,988	51,806,240	5,165,748
Total Minimum Lease Payments	\$ 153,774,624	\$ 115,488,240	\$ 38,286,384

2. Bonds Payable

Bonds payable at June 30, 2017, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2009A, Refunding	\$ 75,000	5	2019
Series 2009A	780,000	4 - 5	2029
Series 2010A, Refunding	360,000	4 - 5	2021
Series 2014B, Refunding	109,000	4 - 5	2020
District Revenue Bonds:			
Sales Tax Revenue Bonds, 2014	64,030,000	4 - 5	2027
Total Bonds	65,354,000		
Add: Unamortized Bond Premiums	6,897,454		
Total Bonds Payable	\$ 72,251,454		

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 SBE 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 SBE and the SBA.

Sales Taxes Revenue Bonds

The School Board issued Sales Tax Revenue Bonds, Series 2014, in the amount of \$75,000,000 on September 24, 2013. These bonds are authorized by Chapter 1001 Florida Statutes, and Chapter 212, Florida Statutes. These bonds are secured by a pledge of proceeds received by the District from the levy and collection of a one-half cent discretionary sales surtax pursuant to Section 212.055(6), Florida Statutes. Proceeds of the bonds were used to finance construction of new school facilities and renovations of existing school facilities.

The District pledged a total of \$81,748,350 of discretionary surtax sales revenues (sales tax revenues) in connection with the Series 2014 Sales Tax Revenue Bond issue described above. During the 2016-17 fiscal year, the District recognized sales tax revenues totaling \$21,347,064 and expended \$7,461,075 (35 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 September 1, 2027. Assuming a nominal growth rate in the collection of sales tax revenues, which are levied through December 31, 2027, approximately 33 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, 2017, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2018	\$ 296,608	\$ 238,000	\$ 58,608
2019	226,708	180,000	46,708
2020	189,558	151,000	38,558
2021	186,788	155,000	31,788
2022	79,538	55,000	24,538
2023-2027	416,287	330,000	86,287
2028-2029	229,022	215,000	14,022
Total State School Bonds	1,624,509	1,324,000	300,509
District Revenue Bonds:			
2018	7,455,950	4,510,000	2,945,950
2019	7,449,825	4,735,000	2,714,825
2020	7,447,075	4,975,000	2,472,075
2021	7,442,075	5,225,000	2,217,075
2022	7,434,325	5,485,000	1,949,325
2023-2027	37,093,500	31,820,000	5,273,500
2028	7,425,600	7,280,000	145,600
Total District Revenue Bonds	81,748,350	64,030,000	17,718,350
Total	\$ 83,372,859	\$ 65,354,000	\$ 18,018,859

3. Defeased Debt

In a prior year, the Certificates of Participation (COPs), Series 2005 and 2006, were defeased in substance by placing a portion of the proceeds of new COPs in an irrevocable trust to provide for all future debt service payments on the old COPs. Accordingly, the trust account assets and the liability for the in substance defeased COPs are not included in the District's financial statements. The details of the in-substance defeased debt as of June 30, 2017, are as follows:

<u>COPs Issue</u>	<u>Defeased Debt</u>
COPs, Series 2005	\$ 13,110,416
COPs, Series 2006	38,699,584

4. 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	\$ 4,214,849	\$ 1,560,193	\$ 720,026	\$ 5,055,016	\$ 686,464
Installment-Purchase Payable	7,252,145	-	843,961	6,408,184	861,119
Notes Payable	1,120,000	-	1,120,000	-	-
Bonds Payable	77,779,255	-	5,527,801	72,251,454	4,748,000
Certificates of Participation Payable	121,995,240	-	6,507,000	115,488,240	1,000,000
Compensated Absences Payable	28,619,911	5,882,267	2,872,450	31,629,728	3,082,992
Net Pension Liability	116,640,006	86,608,366	40,280,633	162,967,739	1,817,368
Other Postemployment Benefits Payable	16,561,092	2,298,036	1,735,284	17,123,844	-
Total Governmental Activities	\$374,182,498	\$96,348,862	\$59,607,155	\$410,924,205	\$12,195,943

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

J. Fund Balance Reporting

In addition to committed and assigned fund balance categories discussed in Note I.F.10., fund balances may be classified as follows:

- **Nonspendable Fund Balance.** Nonspendable fund balance is 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.
- **Restricted Fund Balance.** Restricted fund balance is 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.
- **Unassigned Fund Balance.** The unassigned fund balance is the portion of fund balance that is the 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.

K. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	\$ 2,725,957	\$ 868,017
Special Revenue:		
Other	-	1,970,569
Capital Projects:		
Other	274,035	-
Nonmajor Governmental	868,017	274,035
Fiduciary	-	755,388
Total	\$ 3,868,009	\$ 3,868,009

The principal purposes of the interfund balances are to meet current obligations where sufficient moneys were not available. All balances are expected to be repaid within 1 year.

L. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2016-17 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 118,436,155
Categorical Educational Program - Class Size Reduction	36,316,593
Workforce Development Program	6,377,385
School Recognition	1,359,173
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,377,428
Florida Best and Brightest Teacher Scholarship Program	1,356,544
Miscellaneous	6,184,605
Total	\$ 171,407,883

Accounting policies relating to certain State revenue sources are described in Note I.G.2.

2. Property Taxes

The following is a summary of millages and taxes levied on the 2016 tax roll for the 2016-17 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	4.602	\$ 74,423,198
Basic Discretionary Local Effort	0.748	12,096,600
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	24,257,887
Total	6.850	\$ 110,777,685

M. Interfund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	\$ 5,129,114	\$ -
Capital Projects:		
Other	-	7,464,525
Nonmajor Governmental	20,401,765	18,066,354
Total	\$ 25,530,879	\$ 25,530,879

The principal purposes of the interfund transfers were to transfer nonmajor Capital Projects – Local Capital Improvement Fund maintenance money to the General Fund, transfer funds from the nonmajor Capital Projects – Local Capital Improvement and Capital Projects – Other Funds to the nonmajor debt service funds for repayment of COPs and sales tax revenue bonds, respectively.

IV. LITIGATION

The District is involved in several pending and threatened legal actions. Although the outcome of these lawsuits is not currently determinable, in the opinion of the District's legal counsel, the resolution of these matters should not materially affect the financial condition of the District.

The United States Attorney's Office, in coordination with other Federal and State Government entities, has initiated an investigation into potential criminal activities. The Board has not been advised of any specific criminal violations or individuals targeted in this investigation and cannot currently predict whether any criminal charges will be filed and, if so, whether there will be any impact on the District's financial condition.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule General and Major Special Revenue Funds For the Fiscal Year Ended June 30, 2017

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 250,385	\$ 258,193	\$ 258,193	\$ -
Federal Through State and Local	50,000	15,167	15,167	-
State	166,189,352	167,206,951	167,229,259	22,308
Local:				
Property Taxes	83,336,262	83,336,262	83,663,165	326,903
Miscellaneous	8,545,947	12,467,144	11,758,414	(708,730)
Total Local Revenues	<u>91,882,209</u>	<u>95,803,406</u>	<u>95,421,579</u>	<u>(381,827)</u>
Total Revenues	<u>258,371,946</u>	<u>263,283,717</u>	<u>262,924,198</u>	<u>(359,519)</u>
Expenditures				
Current - Education:				
Instruction	165,919,347	167,006,273	151,917,257	15,089,016
Student Support Services	9,119,889	9,582,828	8,892,918	689,910
Instructional Media Services	4,130,654	4,156,775	3,860,998	295,777
Instruction and Curriculum Development Services	6,864,964	10,639,485	8,438,468	2,201,017
Instructional Staff Training Services	800,052	1,643,068	990,071	652,997
Instruction-Related Technology	4,125,284	3,232,178	2,583,815	648,363
Board	1,465,620	1,686,068	1,353,134	332,934
General Administration	1,340,338	1,433,022	1,164,036	268,986
School Administration	21,032,891	21,488,975	20,754,992	733,983
Facilities Acquisition and Construction	1,340,561	2,097,136	657,764	1,439,372
Fiscal Services	2,199,701	2,376,069	2,249,209	126,860
Central Services	8,460,368	7,886,022	6,280,841	1,605,181
Student Transportation Services	13,451,276	13,831,293	13,275,937	555,356
Operation of Plant	22,376,681	21,296,710	18,981,514	2,315,196
Maintenance of Plant	9,744,242	9,992,592	9,072,486	920,106
Administrative Technology Services	5,157,220	5,649,556	5,321,894	327,662
Community Services	8,151,574	7,794,145	5,172,905	2,621,240
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	410,143	410,143	-
Other Capital Outlay	-	864,524	864,524	-
Total Expenditures	<u>285,680,662</u>	<u>293,066,862</u>	<u>262,242,906</u>	<u>30,823,956</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(27,308,716)</u>	<u>(29,783,145)</u>	<u>681,292</u>	<u>30,464,437</u>
Other Financing Sources				
Transfers In	4,900,000	5,014,623	5,129,114	114,491
Net Change in Fund Balances	<u>(22,408,716)</u>	<u>(24,768,522)</u>	<u>5,810,406</u>	<u>30,578,928</u>
Fund Balances, Beginning	34,379,863	34,379,863	34,379,863	-
Fund Balances, Ending	<u>\$ 11,971,147</u>	<u>\$ 9,611,341</u>	<u>\$ 40,190,269</u>	<u>\$ 30,578,928</u>

Special Revenue - Other Fund

Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
\$ 1,633,264	\$ 1,999,934	\$ 1,997,937	\$ (1,997)
37,594,664	38,116,988	20,668,899	(17,448,089)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>39,227,928</u>	<u>40,116,922</u>	<u>22,666,836</u>	<u>(17,450,086)</u>
21,658,949	21,214,973	10,914,553	10,300,420
2,293,072	2,433,694	794,268	1,639,426
	6,759	6,759	-
7,520,847	7,752,137	5,364,079	2,388,058
3,299,479	2,980,700	1,197,320	1,783,380
58,687	164,728	156,266	8,462
	14,573	9,973	4,600
1,941,429	1,920,528	1,076,298	844,230
12,179	50,852	33,004	17,848
88,439	123,283	119,283	4,000
	-	-	-
126,005	216,781	80,448	136,333
199,919	191,426	76,849	114,577
56,608	54,850	7,504	47,346
15,532	12,740	4,362	8,378
	-	-	-
1,956,783	2,329,676	2,176,648	153,028
-	-	-	-
-	649,222	649,222	-
<u>39,227,928</u>	<u>40,116,922</u>	<u>22,666,836</u>	<u>17,450,086</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

**Schedule of Funding Progress –
Other Postemployment Benefits Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/01/11	\$ -	\$ 27,721,142	\$ 27,721,142	0.0%	\$ 114,207,168	24.3%
10/01/13	-	25,234,070	25,234,070	0.0%	114,709,308	22.0%
10/01/15	-	24,494,807	24,494,807	0.0%	119,756,603	20.5%

Note: (1) The District's OPEB actuarial valuation used the entry age normal cost method to estimate the actuarial accrued liability.

**Schedule of the District's Proportionate Share
of the Net Pension Liability –
Florida Retirement System Pension Plan (1)**

	2016	2015	2014	2013
District's proportion of the FRS net pension liability	0.395759454%	0.449757910%	0.463930418%	0.464637005%
District's proportionate share of the FRS net pension liability	\$ 99,929,574	\$ 58,092,266	\$ 28,306,578	\$ 79,984,708
District's covered payroll	\$ 167,212,535	\$ 174,262,691	\$ 170,819,266	\$ 175,193,569
District's proportionate share of the FRS net pension liability as a percentage of its covered payroll	59.76%	33.34%	16.57%	45.66%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%	88.54%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of District Contributions –
Florida Retirement System Pension Plan (1)**

	2017	2016	2015	2014
Contractually required FRS contribution	\$ 10,278,395	\$ 9,651,225	\$ 10,965,480	\$ 10,162,045
FRS contributions in relation to the contractually required contribution	(10,278,395)	(9,651,225)	(10,965,480)	(10,162,045)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 176,038,046	\$ 167,212,535	\$ 174,262,691	\$ 170,819,266
FRS contributions as a percentage of covered payroll	5.84%	5.77%	6.29%	5.95%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of the District's Proportionate Share
of the Net Pension Liability –
Health Insurance Subsidy Pension Plan (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the HIS net pension liability	0.540887223%	0.574085981%	0.575286134%	0.602917578%
District's proportionate share of the HIS net pension liability	\$ 63,038,165	\$ 58,547,740	\$ 53,790,657	\$ 52,491,902
District's covered payroll	\$ 167,212,535	\$ 174,262,691	\$ 170,819,266	\$ 175,193,569
District's proportionate share of the HIS net pension liability as a percentage of its covered payroll	37.70%	33.60%	31.49%	29.96%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%	1.78%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

**Schedule of District Contributions –
Health Insurance Subsidy Pension Plan (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 2,910,109	\$ 2,772,392	\$ 2,194,514	\$ 1,970,737
HIS contributions in relation to the contractually required contribution	<u>(2,910,109)</u>	<u>(2,772,392)</u>	<u>(2,194,514)</u>	<u>(1,970,737)</u>
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 176,038,046	\$ 167,212,535	\$ 174,262,691	\$ 170,819,266
HIS contributions as a percentage of covered payroll	1.65%	1.66%	1.26%	1.15%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Budgetary Basis of Accounting

The Board follows procedures established by State statutes and State Board of Education (SBE) 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 SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, student transportation services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year end and encumbrances outstanding are honored from the subsequent year's appropriations.

**2. Schedule of Net Pension Liability and Schedule of Contributions –
Florida Retirement System Pension Plan**

Changes of Assumptions. The long-term expected rate of return was decreased from 7.65 percent to 7.6 percent, and the active member mortality assumption was updated.

**3. Schedule of Net Pension Liability and Schedule of Contributions –
Health Insurance Subsidy Pension Plan**

Changes of Assumptions. The municipal bond rate used to determine total pension liability was decreased from 3.8 percent to 2.85 percent.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Leon County District School Board Schedule of Expenditures of Federal Awards For the Fiscal Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Clustered				
Child Nutrition Cluster:				
United States Department of Agriculture:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	17002	\$ -	\$ 2,622,121
National School Lunch Program	10.555	17001, 17003	-	8,768,060
Summer Food Service Program for Children	10.559	16006, 16007, 17006, 17007	-	239,678
Total Child Nutrition Cluster			-	11,629,859
Student Financial Assistance Cluster:				
United States Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	33,347
Federal Pell Grant Program	84.063	N/A	-	1,964,590
Total Student Financial Assistance Cluster			-	1,997,937
Special Education Cluster:				
United States Department of Education:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	173,609	8,110,683
Special Education - Preschool Grants	84.173	266, 267	78,000	573,117
Total Special Education Cluster			251,609	8,683,800
Not Clustered				
United States Department of Agriculture:				
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A-3770	-	671,664
Florida Department of Agriculture and Consumer Services:				
Fresh Fruit and Vegetable Program	10.582	17004	-	129,961
Total United States Department of Agriculture			-	801,625
United States Department of Defense:				
Air Force Junior Reserve Officers Training Corps	12.UNK	N/A	-	57,924
Army Junior Reserve Officers Training Corps	12.UNK	N/A	-	64,991
Marine Junior Reserve Officers Training Corps	12.UNK	N/A	-	48,412
Navy Junior Reserve Officers Training Corps	12.UNK	N/A	-	78,784
Total United States Department of Defense			-	250,111
United States Department of Justice:				
Florida Department of Juvenile Justice:				
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	80.029	-	9,675
United States Department of Education:				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	-	308,609
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	278,012	7,718,848
Career and Technical Education - Basic Grants to States	84.048	161	-	533,288
Education for Homeless Children and Youth	84.196	127	-	67,914
Charter Schools	84.282	298	749,328	749,328
Twenty-First Century Community Learning Centers	84.287	244	-	1,072,318
English Language Acquisition State Grants	84.365	102	-	105,791
Improving Teacher Quality State Grants	84.367	224	17,320	1,189,943
Total United States Department of Education			1,044,660	11,746,039

(continued)

Federal Grantor/Pass-Through Grantor/ Program or Cluster	Federal CFDA Number	Pass - Through Entity Identifying Number	Passed Through to Subrecipients	Total Expenditures
Corporation for National and Community Services				
Volunteer Florida: AmeriCorps	94.006	184127	\$ -	\$ 179,863
United States Department of Homeland Security:				
Florida Department of Education: Homeland Security Grant Program	97.067	532	-	49,521
Total Expenditures of Federal Awards			<u>\$ 1,296,269</u>	<u>\$ 35,348,430</u>

The notes below are an integral part of this schedule.

- Notes: (1) Basis of Presentation. The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of the Leon County District School Board under programs of the Federal Government for the fiscal year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.
- (2) Summary of Significant Accounting Policies. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (3) Indirect Cost Rate. The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
- (4) Noncash Assistance - National School Lunch Program. Includes \$927,616 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, 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, 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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 6, 2018, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, 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*.

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 6, 2018



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited the Leon County District School Board's compliance with the types of compliance requirements described in the *OMB 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, 2017. The District's major Federal programs are identified in **SECTION I – SUMMARY OF AUDITOR'S RESULTS** of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 6, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major Federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major Federal programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.027 and 84.173	Special Education Cluster
84.287	Twenty-First Century Community Learning Centers
Dollar threshold used to distinguish between type A and type B programs:	\$1,060,452
Auditee qualified as low risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reported.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters are reported.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for the financial statement audit findings included in the prior audit report.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

BOARD CHAIR
Alva Swafford Striplin

BOARD VICE CHAIR
Maggie Lewis-Butler



BOARD MEMBERS
Georgia "Joy" Bowen
DeeDee Rasmussen
Rosanne Wood

SUPERINTENDENT
Rocky Hanna

Audit Report No. (Finding No.)	Program/Area	Brief Description	Status	Comments
2015-177 (1) Thomas Howell Ferguson P.A. and Law, Redd, Crona, & Munroe, P.A.: (2015-002) (2016-003)	Financial Reporting	Financial reporting procedures need improvement to ensure the proper reporting of account balances and transactions to the Florida Department of Education.	Fully Corrected	
Thomas Howell Ferguson P.A. and Law, Redd, Crona, & Munroe, P.A.: (2015-001) (2016-001)	Capital Assets	Controls over the recording, reporting, and reconciliation of capital assets need improvement.	Fully Corrected	
Thomas Howell Ferguson P.A. and Law, Redd, Crona, & Munroe, P.A.: (2015-003) (2016-002)	Cash Management and Treasury	Appropriate controls over cash and investments to ensure proper management and reporting had not been implemented.	Fully Corrected	

2757 West Pensacola Street • Tallahassee, Florida 32304-2998 • Phone (850) 487-7110 • Fax (850) 414-5194 •
www.leonschools.net

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Building the Future Together