

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**LEON COUNTY  
DISTRICT SCHOOL BOARD  
TALLAHASSEE, FLORIDA**

**JUNE 30, 2018**

**FINANCIAL STATEMENTS  
AND  
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DISTRICT SCHOOL BOARD  
TALLAHASSEE, FLORIDA**

**JUNE 30, 2018**

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**LEON COUNTY  
DISTRICT SCHOOL BOARD  
TALLAHASSEE, FLORIDA**

**JUNE 30, 2018**

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## INDEPENDENT AUDITORS' REPORT

Leon County District School Board and  
Superintendent  
Tallahassee, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the Leon County District School Board (the District), as of and for the year ended June 30, 2018, 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of discretely presented component units, which represents 100 percent of the transactions and account balances of the discretely presented component unit's columns. Those financial 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 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 District'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.

### Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Leon County District School Board and  
Superintendent  
Tallahassee, Florida

**INDEPENDENT AUDITORS' REPORT**  
*(Continued)*

**Auditors' Responsibility (Concluded)**

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, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note 1(I) to the financial statements, for the year ended June 30, 2018, the District adopted new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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 the management's discussion and analysis and the other required supplementary information as listed in the table of contents (collectively, the required supplementary information) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Leon County District School Board and  
Superintendent  
Tallahassee, Florida

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

  
March 15, 2019  
Tallahassee, Florida

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The management of the Leon County District School Board (the District) has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2018. The intent of information contained in the Management's Discussion and Analysis (MD&A) is to highlight significant transactions, events, and conditions. This discussion is within the context of the District's financial statements and notes to financial statements found immediately following the MD&A.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2017-18 fiscal year are as follows:

- Total Net Position is \$172.4 million, which represents an 8.8 percent increase from the 2016-17 fiscal year including the impact of the prior period adjustments.
- General revenues total \$336 million or 93 percent of all revenues. (Total revenues equal \$360 million). Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$23.8 million or 6.6 percent of all revenues.
- Expenses total \$345.9 million. Program revenues equal to \$23.8 million are applied towards these expenses, with the remainder paid out of general revenues. Total revenues exceed total expenses by \$13.9 million.
- The total combined assigned and unassigned fund balance of the General Fund, representing the net fund balance that is spendable and not legally restricted, totals \$40.3 million as of June 30, 2018, or 14.9 percent of total General Fund revenues (total general fund revenues equal \$270 million). The unassigned fund balance totals \$26.7 million. This amount is 9.9 percent of total General Fund revenues.
- The District's capital assets of \$403 million (net of accumulated depreciation) increased by \$2.5 million (excluding the impact of the prior period adjustment). Capital asset additions exceeded depreciation expense in the current year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

Government-wide financial statements

Fund financial statements

Notes to financial statements

This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### 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 designed to provide consolidated financial information about the governmental activities of the primary government presented on the accrual basis of accounting. The statement of net position provides information about the government's financial position, its assets, its liabilities, and its deferred outflows of resources using an economic resources measurement focus. Assets plus deferred outflows of resources, less liabilities, equal 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, which is the result of operations during the fiscal year. An increase or decrease in net position is an indication of whether the District's financial health is increasing or decreasing.

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

**Governmental activities**—This category 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 supporting 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 five (5) separate legal entities in this report including the Foundation for Leon County Schools, Inc.; The School of Arts and Sciences on Thomasville Road: the School of Arts and Sciences at the Centre; Tallahassee School of Math and Science; and Governors Charter Academy, a department of Renaissance Charter School Inc. These entities are legally separate organizations and component units included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Complete financial statements for each component unit are available from the District's Chief Financial Officer upon request.

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 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. Law establishes certain funds while others are created by legal agreements, such as bond covenants. Fund financial statements provide 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 entity-wide perspective contained in the government-wide statements. All of the District's funds may be classified within one of three broad categories discussed below.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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**Governmental Funds**—Governmental funds 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 for assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than 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. Readers may obtain a better understanding of the long-term impact of the government's near-term financing decisions by doing so. The governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances each 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, the Capital Projects – Other Fund, and the Other Debt Service Funds. 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 is included for the General, Special Revenue, and Capital Projects statements to demonstrate compliance with the budget.

**Proprietary Fund**—Proprietary funds may be established to account for activities where a fee is charged for services. The District's only proprietary fund is classified as an enterprise fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The District uses the enterprise fund to account for the activities of the District Permitting Office.

**Fiduciary Funds**—Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their 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.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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**Required Supplementary Information**

The District adopts an annual budget for its governmental funds. A budgetary comparison schedule is included for the General Fund, Special Revenue Fund, and Capital Projects 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.

**Other Supplementary Information**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time 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, 2018, compared to net position as of June 30, 2017:

	Net Position, End of Year					
	Governmental Activities		Business-type Activities		Total	
	6-30-18	6-30-17*	6-30-18	6-30-17	6-30-18	6-30-17*
Current Assets	\$ 156,343,781	\$ 149,013,187	\$ 38,828	\$ 67,855	\$ 156,382,609	\$ 149,081,042
Capital Assets, Net of Depreciation	402,988,988	402,313,353	0	0	402,988,988	402,313,353
<b>Total Assets</b>	<b>559,332,769</b>	<b>551,326,540</b>	<b>38,828</b>	<b>67,855</b>	<b>559,371,597</b>	<b>551,394,395</b>
Deferred Outflow of Resources	74,666,600	62,640,060	0	0	74,666,600	62,640,060
Long-term Liabilities	422,469,823	410,924,205	0	0	422,469,823	410,924,205
Other Liabilities	18,436,531	18,351,438	181	87	18,436,712	18,351,525
<b>Total Liabilities</b>	<b>440,906,354</b>	<b>429,275,643</b>	<b>181</b>	<b>87</b>	<b>440,906,535</b>	<b>429,275,730</b>
Deferred Inflow of Resources	20,753,140	13,230,542	0	0	20,753,140	13,230,542
Net Position:						
Net Investment in Capital Assets	221,247,631	208,165,475	0	0	221,247,631	208,165,475
Restricted	96,252,389	95,368,641	0	0	96,252,389	95,368,641
Unrestricted (Deficit)	(145,160,145)	(132,073,701)	38,647	67,768	(145,121,498)	(132,005,933)
<b>Total Net Position</b>	<b>\$ 172,339,875</b>	<b>\$ 171,460,415</b>	<b>\$ 38,647</b>	<b>\$ 67,768</b>	<b>\$ 172,378,522</b>	<b>\$ 171,528,183</b>

\*The June 30, 2017, balances were not restated above for the impact of the prior period adjustments.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land; buildings and fixed equipment; furniture, fixtures, and equipment), less any related debt still outstanding net of unspent debt proceeds. 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

The restricted portion of the District's net position represents resources subject to external restrictions on expenditures.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2017 and June 30, 2018, are as follows:

- The increase in the District's long term liabilities primarily resulted from a \$16.9 million increase in the District's proportionate share of the Net Pension Liability for the Florida Retirement System and a \$15.1 million increase in the Other Postemployment Liability related to the implementation of GASB Statement No. 75.

Governmental activities increased the District's net position by \$13.9 million during the 2017-18 fiscal year, detailed as follows:

	<b>Operating Results for the Fiscal Year Ended</b>					
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	6-30-18	6-30-17*	6-30-18	6-30-17	6-30-18	6-30-17*
<b>Program Revenues:</b>						
Charges for Services	\$ 8,370,076	\$ 7,888,596	\$ 0	\$ 0	\$ 8,370,076	\$ 7,888,596
Operating Grants and Contributions	13,089,020	13,068,688	0	0	13,089,020	13,068,688
Capital Grants and Contributions	2,368,722	3,338,494	0	0	2,368,722	3,338,494
<b>General Revenues:</b>						
Property Taxes Levied for Operational Purposes	82,759,201	83,663,165	0	0	82,759,201	83,663,165
Property Taxes Levied for Capital Projects	24,465,927	23,451,281	0	0	24,465,927	23,451,281
Local Sales Tax	22,046,058	21,347,064	0	0	22,046,058	21,347,064
Grants and Contributions Not Restricted to Specific Programs	200,008,504	192,966,948	0	0	200,008,504	192,966,948
Unrestricted Investment Earnings	1,804,902	374,152	78	102	1,804,980	374,254
Miscellaneous	4,902,923	6,808,456	0	0	4,902,923	6,808,456
<b>Total Revenues</b>	<b>359,815,333</b>	<b>352,906,844</b>	<b>78</b>	<b>102</b>	<b>359,815,411</b>	<b>352,906,946</b>
<b>Functions/Program Expenses:</b>						
Instruction	173,080,446	168,407,187	0	0	173,080,446	168,407,187
Student Personnel Services	10,195,081	10,040,738	0	0	10,195,081	10,040,738
Instructional Media Services	3,852,633	4,013,365	0	0	3,852,633	4,013,365
Instruction and Curriculum Development	12,456,176	14,306,730	0	0	12,456,176	14,306,730
Instructional Staff Training Services	1,463,436	2,211,582	0	0	1,463,436	2,211,582
Instruction Related Technology	3,342,428	2,833,268	0	0	3,342,428	2,833,268
Board of Education	1,045,416	1,382,739	0	0	1,045,416	1,382,739
General Administration	1,918,770	2,279,257	0	0	1,918,770	2,279,257
School Administration	21,283,650	21,627,678	0	0	21,283,650	21,627,678
Facility Acquisition and Construction	10,060,275	3,043,329	0	0	10,060,275	3,043,329
Fiscal Services	2,425,731	2,335,912	0	0	2,425,731	2,335,912
Food Services	15,158,781	13,405,439	0	0	15,158,781	13,405,439
Central Services	7,021,523	6,562,677	0	0	7,021,523	6,562,677
Student Transportation Services	14,835,439	13,797,033	0	0	14,835,439	13,797,033
Operation of Plant	18,828,580	19,294,832	0	0	18,828,580	19,294,832
Maintenance of Plant	9,956,147	9,351,310	0	0	9,956,147	9,351,310
Administrative Technology Services	5,365,522	5,478,451	0	0	5,365,522	5,478,451
Community Services	7,396,215	7,418,669	0	0	7,396,215	7,418,669
Unallocated Interest on Long-term Debt	6,596,578	6,707,226	0	0	6,596,578	6,707,226
Unallocated Depreciation Expenses	19,213,434	18,664,821	0	0	19,213,434	18,664,821
Loss on Disposal of Capital Assets	414,845	1,180,137	0	0	414,845	1,180,137
District Permitting Office	0	0	29,199	4,570	29,199	4,570
<b>Total Functions/Program Expenses</b>	<b>345,911,106</b>	<b>334,342,380</b>	<b>29,199</b>	<b>4,570</b>	<b>345,940,305</b>	<b>334,346,950</b>
<b>Increase (Decrease) in Net Position</b>	<b>13,904,227</b>	<b>18,564,464</b>	<b>(29,121)</b>	<b>(4,468)</b>	<b>13,875,106</b>	<b>18,559,996</b>
<b>Net Position - Beginning</b>	<b>171,460,415</b>	<b>157,989,694</b>	<b>67,768</b>	<b>72,236</b>	<b>171,528,183</b>	<b>158,061,930</b>
Adjustment to Restate Beginning Net Position (See Note 1)	(13,024,767)	(5,093,743)	0	0	(13,024,767)	(5,093,743)
<b>Net Position - Beginning - Restated</b>	<b>158,435,648</b>	<b>152,895,951</b>	<b>67,768</b>	<b>72,236</b>	<b>158,503,416</b>	<b>152,968,187</b>
<b>Net Position - Ending</b>	<b>\$ 172,339,875</b>	<b>\$ 171,460,415</b>	<b>\$ 38,647</b>	<b>\$ 67,768</b>	<b>\$ 172,378,522</b>	<b>\$ 171,528,183</b>

\*The June 30, 2017 balances have not been restated above for the impact of the prior period adjustments.

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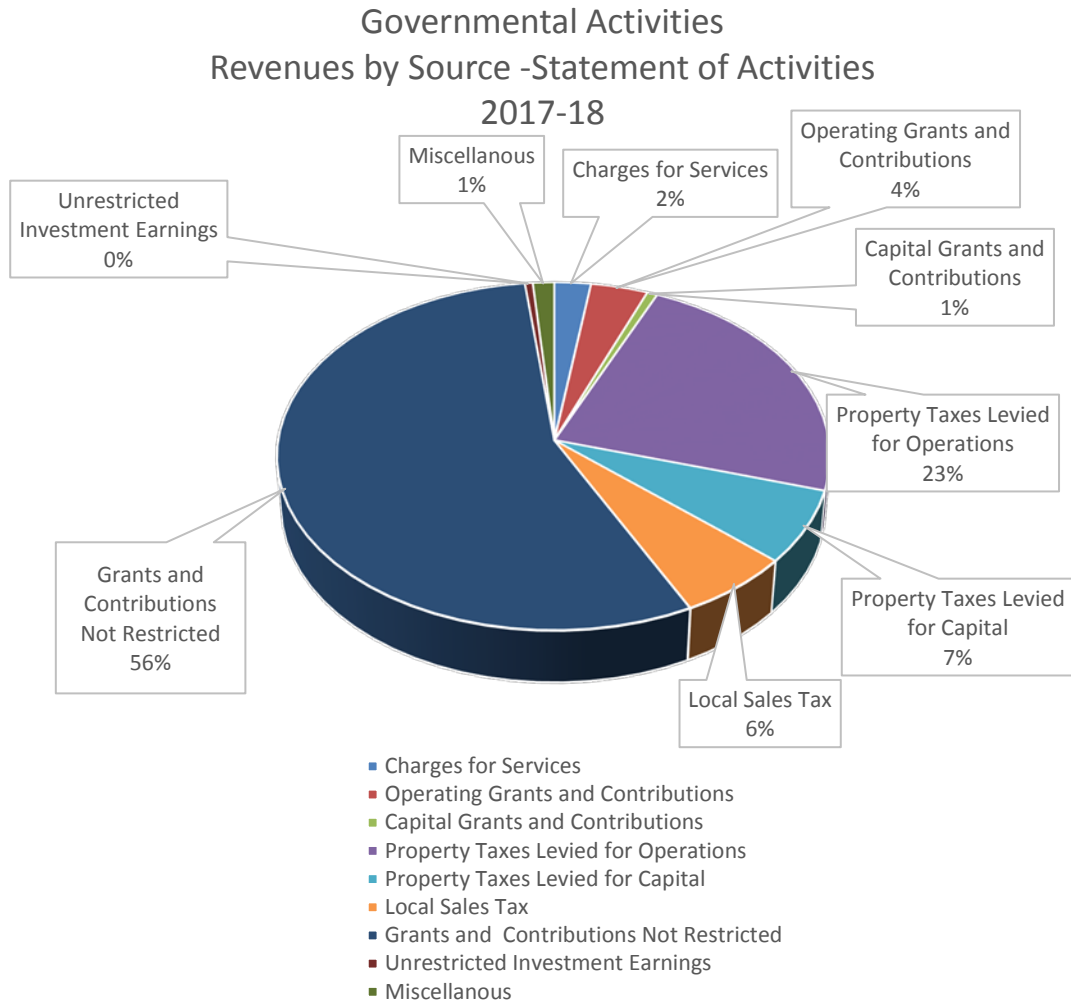
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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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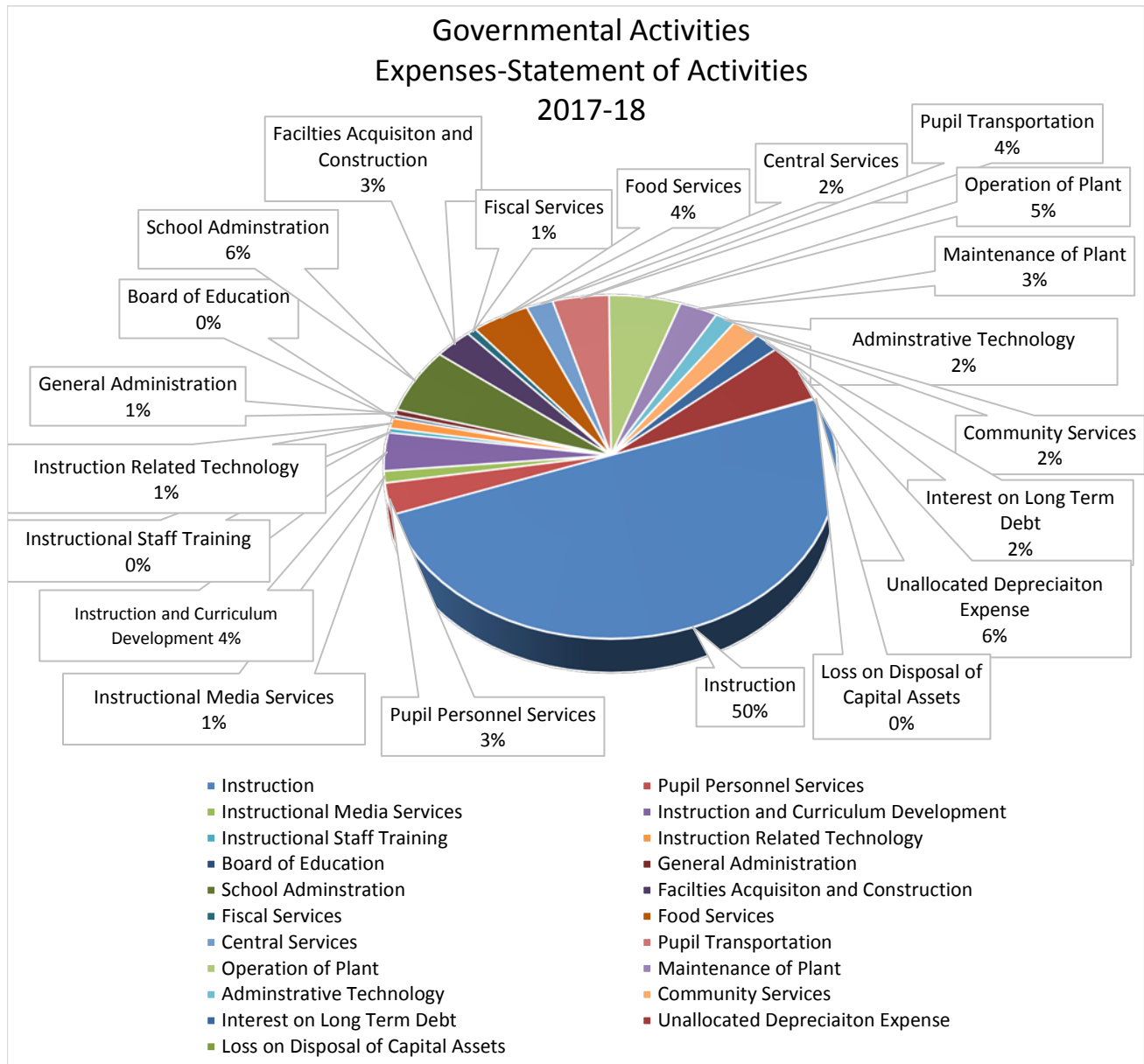
The following chart depicts the distribution of revenues of the District as a whole for the 2017-18 fiscal year.



Key elements of the change in net position are as follows:

- Grants and contributions not restricted to specific programs increased approximately \$7 million because of increased funding for the State's Florida Education Finance Program and other State revenues.
- Overall expenses increased \$11.6 million.
- Instructional expense increased by approximately \$4.7 million, primarily due to salary and benefits increases.
- Facility Acquisition and Construction expenses increased by \$7.0 million, primarily due to additional maintenance and non-capital related projects.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**



**Major Governmental Funds**

General Fund: This fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance is \$26.7 million while the total fund balance is \$50.7 million. The total fund balance increased by \$10.5 million during the 2017-18 fiscal year. The increase in fund balance is a function of an increase of \$11.7 million in the unassigned fund balance and a \$1.4 million decrease in the assigned/restricted carryforward balances. Revenues and transfers exceeded expenditures by \$10.6 million in FY 2018, compared to revenues and transfers exceeding expenditures by \$5.8 million in FY 2017.

Debt Service Fund – Other Debt Service: This fund has revenues totaling \$2.0 million, of which \$1.8 million is receipts for payments from the IRS on Federal Stimulus bonds. The total fund balance is \$16m.

Capital Projects - Other Capital Projects Fund: This fund has a total fund balance of \$39.1 million. These funds are restricted for the acquisition, construction, and maintenance of capital assets.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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**GENERAL FUND BUDGETARY HIGHLIGHTS**

Ending results of the final unassigned and assigned fund balances indicate the District far exceeded the minimum fund balance reserve requirement of Florida Statute 1011.051. This statute requires the District maintain a budgeted fund balance of at least 3 percent of General Fund revenues during the course of the fiscal year. The District amended the General Fund budget several times during the fiscal year, primarily to account for changes in estimated local and Federal through State revenues, and to make the corresponding adjustments to budgeted expenditures. The District maintained a budgeted fund balance of at least 3 percent of General Fund revenues as required by Florida Statute 1011.051. The Florida Department of Education includes the assigned and unassigned fund balances for purposes of this calculation. The ending unassigned fund balance of \$26.7 million is 9.9% of General Fund Revenues (\$270 million). The unassigned and the assigned ending fund balance (\$40.3 million) is 14.9% of General Fund revenues. The District exceeded the minimum 3% (\$8.1 million) by \$32.2 million with the combined unassigned and assigned fund balance, and it exceeded the minimum 3% by \$18.6 million using only the unassigned fund balance.

**CAPITAL ASSETS AND LONG-TERM DEBT**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$403 million (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:

- New land purchase was made totaling approximately \$474 thousand
- Several renovations additions to schools and re-roofing projects were completed during the year totaling approximately \$18.8 million.
- Disposal of portable buildings, equipment, and vehicles totaled approximately \$7.6 million.
- Depreciation expense totaled \$19.2 million.

**Capital Assets (Net of Depreciation)**

	Governmental Activities	
	6/30/2018	6/30/2017*
Land	\$ 17,923,929	\$ 17,486,642
Construction in Progress	16,157,943	7,158,357
Improvements Other Than Buildings	13,487,144	9,808,639
Buildings and Fixed Equipment	333,469,627	342,160,704
Furniture, Fixtures and Equipment	9,325,915	10,767,749
Motor Vehicles	9,664,134	11,289,302
Audio Visual and Computer Software	2,960,296	3,641,960
<b>Total Capital Assets</b>	<b>\$ 402,988,988</b>	<b>\$ 402,313,353</b>

\*The June 30, 2017, balances have not been restated for the impact of the prior period adjustment described in Note 3.

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**MANAGEMENT’S DISCUSSION AND ANALYSIS (CONCLUDED)**

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Additional information on the District’s capital assets can be found in Note 3 to the financial statements.

**Long-term Debt**

At June 30, 2018, the District has \$181.2 million total capital asset-related debt outstanding. This amount is comprised of \$108.9 million of certificates of participation payable, \$66.8 million of bonds payable, and a \$5.5 million lease purchase agreement.

Other items classified as long-term liabilities, in the government-wide financial statements, include the compensated absences liability totaling \$30.4 million, other postemployment benefits liability totaling \$30.2 million, net pension liability \$175.6 million, and estimated insurance claims totaling \$5 million. The total debt outstanding is \$422.5 million

**Schedule of Outstanding Capital Asset Related Debt  
Governmental Activities**

	<u>6/30/2018</u>	<u>6/30/2017</u>
Notes Payable		
Lease Purchase Agreement	\$ 5,547,065	\$ 6,408,184
State Schools/Sales Tax Bonds	66,760,653	72,251,454
Certificates of Participation	108,891,240	115,488,240
<b>Total Long-term Debt</b>	<u>\$ 181,198,958</u>	<u>\$ 194,147,878</u>

Additional information on the District’s long-term liabilities can be found in Note 9 to the financial statements.

**OTHER MATTERS OF SIGNIFICANCE**

As a part of the State-wide educational funding formula, the District is given operational revenues through State appropriations. The District then aligns expenses to fall within those parameters.

Capital revenues are levied up to capacity based on the needs identified in the District Facilities Work Program to adequately house growth of the student population.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Leon County District School Board’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Leon County School District, 2757 West Pensacola Street Tallahassee, Florida, 32304.

## **FINANCIAL STATEMENTS**



**LEON COUNTY DISTRICT SCHOOL BOARD**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 119,712,272	\$ 38,828	\$ 119,751,100	\$ 2,363,431
Investments	2,581,799	0	2,581,799	0
Accounts Receivable	466,812	0	466,812	256,423
Due from Other Agencies	8,013,849	0	8,013,849	147,330
Internal Balances	272,716	0	272,716	0
Prepaid Items	0	0	0	91,080
Inventories	1,335,815	0	1,335,815	0
Other Assets	0	0	0	7,210
Restricted Assets:				
Cash Equivalents with Fiscal Agents	20,980,344	0	20,980,344	0
Investments with Fiscal Agents	2,980,174	0	2,980,174	0
Capital Assets:				
Nondepreciable Capital Assets	34,081,872	0	34,081,872	590,436
Depreciable Capital Assets, Net	368,907,116	0	368,907,116	17,075,699
<b>Total Assets</b>	<b>559,332,769</b>	<b>38,828</b>	<b>559,371,597</b>	<b>20,531,609</b>
<b>Deferred Outflows of Resources</b>				
Pensions	72,954,990	0	72,954,990	2,263,726
Other Postemployment Benefits	1,711,610	0	1,711,610	0
<b>Total Deferred Outflows of Resources</b>	<b>74,666,600</b>	<b>0</b>	<b>74,666,600</b>	<b>2,263,726</b>
<b>Liabilities</b>				
Accrued Salaries and Benefits	9,816,482	0	9,816,482	290,871
Payroll Deductions and Withholdings	1,347,950	0	1,347,950	0
Accounts Payable	6,398,100	181	6,398,281	737,526
Construction Contracts Payable	542,399	0	542,399	0
Due to Other Agencies	15,344	0	15,344	35
Matured Interest Payable	3,000	0	3,000	0
Deposits Payable	263,256	0	263,256	0
Unearned Revenues	50,000	0	50,000	7,566
Long-term Liabilities:				
Portion Due Within One Year	14,511,731	0	14,511,731	424,835
Portion Due After One Year	407,958,092	0	407,958,092	20,506,000
<b>Total Liabilities</b>	<b>440,906,354</b>	<b>181</b>	<b>440,906,535</b>	<b>21,966,833</b>
<b>Deferred Inflows of Resources</b>				
Pensions	18,684,996	0	18,684,996	215,458
Other Postemployment Benefits	2,068,144	0	2,068,144	0
<b>Total Deferred Inflows of Resources</b>	<b>20,753,140</b>	<b>0</b>	<b>20,753,140</b>	<b>215,458</b>
<b>Net Position</b>				
Net Investment in Capital Assets	221,247,631	0	221,247,631	108,711
Restricted for:				
State Required Carryover Programs	9,377,015	0	9,377,015	0
Debt Service	32,042,215	0	32,042,215	0
Capital Projects	52,419,862	0	52,419,862	10,313
Food Service	2,413,297	0	2,413,297	0
Other Purposes	0	0	0	112,122
Unrestricted	(145,160,145)	38,647	(145,121,498)	381,898
<b>Total Net Position</b>	<b>\$ 172,339,875</b>	<b>\$ 38,647</b>	<b>\$ 172,378,522</b>	<b>\$ 613,044</b>

See accompanying notes.

**LEON COUNTY DISTRICT SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Government Activities</b>								
Instruction	\$ 173,080,446	\$ 6,924,028	\$ 0	\$ 0	\$ (166,156,418)	\$ 0	\$ (166,156,418)	\$ 0
Student Support Services	10,195,081	0	0	0	(10,195,081)	0	(10,195,081)	0
Instructional Media Services	3,852,633	0	0	0	(3,852,633)	0	(3,852,633)	0
Instruction and Curriculum								
Development Services	12,456,176	0	0	0	(12,456,176)	0	(12,456,176)	0
Instructional Staff Training Services	1,463,436	0	0	0	(1,463,436)	0	(1,463,436)	0
Instruction-related Technology	3,342,428	0	0	0	(3,342,428)	0	(3,342,428)	0
Board	1,045,416	0	0	0	(1,045,416)	0	(1,045,416)	0
General Administration	1,918,770	0	0	0	(1,918,770)	0	(1,918,770)	0
School Administration	21,283,650	0	0	0	(21,283,650)	0	(21,283,650)	0
Facilities Acquisition and Construction	10,060,275	0	0	2,056,117	(8,004,158)	0	(8,004,158)	0
Fiscal Services	2,425,731	0	0	0	(2,425,731)	0	(2,425,731)	0
Food Services	15,158,781	1,446,048	12,774,500	0	(938,233)	0	(938,233)	0
Central Services	7,021,523	0	0	0	(7,021,523)	0	(7,021,523)	0
Student Transportation Services	14,835,439	0	0	0	(14,835,439)	0	(14,835,439)	0
Operation of Plant	18,828,580	0	314,520	0	(18,514,060)	0	(18,514,060)	0
Maintenance of Plant	9,956,147	0	0	0	(9,956,147)	0	(9,956,147)	0
Administrative Technology Services	5,365,522	0	0	0	(5,365,522)	0	(5,365,522)	0
Community Services	7,396,215	0	0	0	(7,396,215)	0	(7,396,215)	0
Unallocated Interest on Long-term Debt	6,596,578	0	0	312,605	(6,283,973)	0	(6,283,973)	0
Unallocated Depreciation/Amortization Expense	19,213,434	0	0	0	(19,213,434)	0	(19,213,434)	0
Loss on Disposal of Capital Assets	414,845	0	0	0	(414,845)	0	(414,845)	0
<b>Total Governmental Activities</b>	<b>345,911,106</b>	<b>8,370,076</b>	<b>13,089,020</b>	<b>2,368,722</b>	<b>(322,083,288)</b>	<b>0</b>	<b>(322,083,288)</b>	<b>0</b>
<b>Business-type Activities</b>								
District Permitting Office	29,199	0	0	0	0	(29,199)	(29,199)	0
<b>Total Primary Government</b>	<b>345,940,305</b>	<b>8,370,076</b>	<b>13,089,020</b>	<b>2,368,722</b>	<b>(322,083,288)</b>	<b>(29,199)</b>	<b>(322,112,487)</b>	<b>0</b>
<b>Component Units</b>								
Charter Schools/Education Foundation	\$ 15,376,668	\$ 479,519	\$ 1,184,132	\$ 548,723	\$ 0	\$ 0	\$ 0	\$ (13,164,294)
<b>General Revenues</b>								
Taxes:								
Property Taxes, Levied for Operational Purposes					82,759,201	0	82,759,201	0
Property Taxes, Levied for Capital Projects					24,465,927	0	24,465,927	0
Local Sales Taxes					22,046,058	0	22,046,058	0
Grants and Contributions Not Restricted to Specific Programs					200,008,504	0	200,008,504	13,154,476
Unrestricted Investment Earnings					1,804,902	78	1,804,980	7,010
Miscellaneous					4,902,923	0	4,902,923	14,095
<b>Total General Revenues</b>					<b>335,987,515</b>	<b>78</b>	<b>335,987,593</b>	<b>13,175,581</b>
<b>Change in Net Position</b>								
Net Position - Beginning					13,904,227	(29,121)	13,875,106	11,287
Adjustment to Beginning Net Position					171,460,415	67,768	171,528,183	601,757
Net Position - Beginning, as Restated					(13,024,767)	0	(13,024,767)	0
Net Position - Ending					<b>158,435,648</b>	<b>67,768</b>	<b>158,503,416</b>	<b>601,757</b>
					<b>\$ 172,339,875</b>	<b>\$ 38,647</b>	<b>\$ 172,378,522</b>	<b>\$ 613,044</b>

See accompanying notes.

**LEON COUNTY DISTRICT SCHOOL BOARD  
BALANCE SHEET  
ALL GOVERNMENTAL FUNDS  
JUNE 30, 2018**

	<u>General Fund</u>	<u>Debt Service Other Debt Service</u>	<u>Capital Projects Other Capital Projects</u>	<u>Non-major Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 57,340,532	\$ 0	\$ 37,201,282	\$ 25,170,458	\$ 119,712,272
Investments	2,515,761	0	39,112	26,926	2,581,799
Accounts Receivable	446,866	0	0	19,946	466,812
Due from Other Funds	272,716	0	0	0	272,716
Due from Other Agencies	1,057,100	0	3,949,265	3,007,484	8,013,849
Inventories	1,046,685	0	0	289,130	1,335,815
Restricted Assets:					
Cash Equivalent with Fiscal Agents	100,000	13,109,012	0	7,771,332	20,980,344
Investments with Fiscal Agents	0	2,980,174	0	0	2,980,174
<b>Total Assets</b>	<u>62,779,660</u>	<u>16,089,186</u>	<u>41,189,659</u>	<u>36,285,276</u>	<u>156,343,781</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accrued Salaries and Benefits	8,794,493	0	0	1,021,989	9,816,482
Payroll Deductions and Withholdings	1,202,103	0	0	145,847	1,347,950
Accounts Payable	1,980,285	12,168	1,847,363	2,558,284	6,398,100
Construction Contracts Payable	0	0	225,351	317,048	542,399
Due to Other Agencies	10,033	0	0	5,311	15,344
Matured Interest Payable	0	0	0	3,000	3,000
Deposits Payable	0	0	0	263,256	263,256
Unearned Revenue	50,000	0	0	0	50,000
<b>Total Liabilities</b>	<u>12,036,914</u>	<u>12,168</u>	<u>2,072,714</u>	<u>4,314,735</u>	<u>18,436,531</u>
<b>Fund Balances</b>					
Nonspendable for Inventories	1,046,685	0	0	289,130	1,335,815
Restricted for:					
State Required Carryover Programs	9,377,015	0	0	0	9,377,015
Debt Service	0	16,077,018	0	15,965,197	32,042,215
Capital Projects	0	0	39,116,945	13,302,917	52,419,862
Food Service	0	0	0	2,413,297	2,413,297
Total Restricted Fund Balance	<u>9,377,015</u>	<u>16,077,018</u>	<u>39,116,945</u>	<u>31,681,411</u>	<u>96,252,389</u>
Assigned to:					
Purchases on Order	2,721,176	0	0	0	2,721,176
Specific Projects	10,880,348	0	0	0	10,880,348
Total Assigned Fund Balance	<u>13,601,524</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,601,524</u>
Unassigned Fund Balance	26,717,522	0	0	0	26,717,522
<b>Total Fund Balances</b>	<u>50,742,746</u>	<u>16,077,018</u>	<u>39,116,945</u>	<u>31,970,541</u>	<u>137,907,250</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 62,779,660</u>	<u>\$ 16,089,186</u>	<u>\$ 41,189,659</u>	<u>\$ 36,285,276</u>	<u>\$ 156,343,781</u>

See accompanying notes.

**LEON COUNTY DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

**Total Fund Balances - Governmental Funds** \$ 137,907,250

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.

402,988,988

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 are year end consists of:

Estimated Insurance Claims Payable	\$	(5,043,183)	
Installed-purchase Payable		(5,547,065)	
Bonds Payable		(66,760,653)	
Certificates of Participation Payable		(108,891,240)	
Compensated Absences Payable		(30,428,971)	
Net Pension Liability		(175,583,432)	
Other Postemployment Benefits Payable		<u>(30,215,279)</u>	(422,469,823)

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		72,954,990	
Deferred Inflows Related to Pensions		(18,684,996)	
Deferred Outflows Related to OPEB		1,711,610	
Deferred Inflows Related to OPEB		<u>(2,068,144)</u>	<u>53,913,460</u>

**Net Position - Governmental Activities** \$ 172,339,875

See accompanying notes.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - ALL GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Debt Service - Other Fund</u>	<u>Capital Projects - Other Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Intergovernmental:					
Federal Direct	\$ 220,849	\$ 1,761,785	\$ 0	\$ 2,704,560	\$ 4,687,194
Federal Through State and Local	53,849	0	0	33,108,626	33,162,475
State	174,446,425	0	0	3,170,153	177,616,578
Local:					
Property Taxes	82,934,953	0	0	24,511,682	107,446,635
Local Sales Taxes	0	0	22,046,058	0	22,046,058
Charges for Services - Food Services	0	0	0	1,446,048	1,446,048
Miscellaneous	12,362,200	275,508	309,144	463,493	13,410,345
Total Local Revenues	<u>95,297,153</u>	<u>275,508</u>	<u>22,355,202</u>	<u>26,421,223</u>	<u>144,349,086</u>
<b>Total Revenues</b>	<u>270,018,276</u>	<u>2,037,293</u>	<u>22,355,202</u>	<u>65,404,562</u>	<u>359,815,333</u>
<b>Expenditures</b>					
Current - Education:					
Instruction	156,378,141	0	0	11,360,830	167,738,971
Student Support Services	9,054,900	0	0	817,399	9,872,299
Instructional Media Services	3,702,690	0	0	22,948	3,725,638
Instruction and Curriculum Development Services	6,532,448	0	0	5,500,575	12,033,023
Instructional Staff Training Services	522,210	0	0	922,369	1,444,579
Instruction-related Technology	3,146,665	0	0	115,293	3,261,958
Board	1,026,294	0	0	0	1,026,294
General Administration	1,057,150	0	0	832,255	1,889,405
School Administration	20,523,841	0	0	1,109	20,524,950
Facilities Acquisition and Construction	548,227	0	0	2,538	550,765
Fiscal Services	2,341,378	0	0	0	2,341,378
Food Services	0	0	0	14,904,895	14,904,895
Central Services	6,354,842	0	0	446,020	6,800,862
Student Transportation Services	14,280,667	0	0	137,042	14,417,709
Operation of Plant	18,577,313	0	0	1,892	18,579,205
Maintenance of Plant	9,576,438	0	0	6,400	9,582,838
Administrative Technology Services	5,223,080	0	0	0	5,223,080
Community Services	5,474,076	0	0	1,861,255	7,335,331

See accompanying notes.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES - ALL GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
*(Concluded)*

	<b>General Fund</b>	<b>Debt Service - Other Fund</b>	<b>Capital Projects - Other Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Expenditures (Concluded)</b>					
Fixed Capital Outlay:					
Facilities Acquisition and Construction	\$ 0	\$ 0	\$ 15,093,388	\$ 14,054,502	\$ 29,147,890
Other Capital Outlay	1,455,663	0	0	1,166,995	2,622,658
Debt Service:					
Principal	0	7,458,725	0	4,748,000	12,206,725
Interest and Fiscal Charges	0	3,081,945	0	4,257,434	7,339,379
<b>Total Expenditures</b>	<u>265,776,023</u>	<u>10,540,670</u>	<u>15,093,388</u>	<u>61,159,751</u>	<u>352,569,832</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>4,242,253</u>	<u>(8,503,377)</u>	<u>7,261,814</u>	<u>4,244,811</u>	<u>7,245,501</u>
<b>Other Financing Sources (Uses)</b>					
Transfer in	6,310,224	10,499,343		8,615,253	25,424,820
Transfer (out)	0	0	(7,460,400)	(17,964,420)	(25,424,820)
<b>Total Other Financing Sources</b>	<u>6,310,224</u>	<u>10,499,343</u>	<u>(7,460,400)</u>	<u>(9,349,167)</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	10,552,477	1,995,966	(198,586)	(5,104,356)	7,245,501
<b>Fund Balances, Beginning</b>	<u>40,190,269</u>	<u>14,081,052</u>	<u>39,315,531</u>	<u>37,074,897</u>	<u>130,661,749</u>
<b>Fund Balances, Ending</b>	<u>\$ 50,742,746</u>	<u>\$ 16,077,018</u>	<u>\$ 39,116,945</u>	<u>\$ 31,970,541</u>	<u>\$ 137,907,250</u>

See accompanying notes.

**LEON COUNTY DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>Net Change in Fund Balances - Governmental Funds</b>	\$	7,245,501
 <b>Amounts Reported for Governmental Activities in the Statement of  Activities are Different Because:</b>		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess in the current fiscal year.		2,937,711
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 underdepreciated cost of the disposed assets.		(414,845)
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.		12,206,119
Amortized expenses for deferred charges and premiums on debt issues not reported in the governmental funds.		742,801
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.		(961,726)
Other postemployment benefits costs are recorded in the statement of activities 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.		(107,950)
The net increase in liability for estimated insurance claims is reported in the statement of activities, but not in the governmental funds statement.		11,833
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.		(7,755,217)
<b>Change in Net Position - Governmental Activities</b>	<b>\$</b>	<b>13,904,227</b>

See accompanying notes.

**LEON COUNTY DISCTRICT SCHOOL BOARD  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2018**

	<b>Business-type Activities Nonmajor Enterprise Fund</b>
	<b><u>District</u></b>
	<b><u>Permitting Office</u></b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 38,828</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	<u>181</u>
<b>Net Position</b>	
Unrestricted	<u><u>\$ 38,647</u></u>

See accompanying notes.



**LEON COUNTY DISCTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Business-type Activities Nonmajor Enterprise Fund</b>
	<b>District Permitting Office</b>
<b>Operating Expenses</b>	
Purchased Services	\$ 12,164
Other	17,035
<b>Total Operating Expenses</b>	29,199
<b>Operating Loss</b>	(29,199)
<b>Nonoperating Revenues</b>	
Interest	78
<b>Change in Net Position</b>	(29,121)
<b>Total Net Position - Beginning</b>	67,768
<b>Total Net Position - Ending</b>	\$ 38,647

See accompanying notes.

**LEON COUNTY DISCTRICT SCHOOL BOARD  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Business-type Activities Nonmajor Enterprise Fund District Permitting Office</b>
<b>Cash Flows from Operating Activities</b>	
Cash Payments to Suppliers for Goods and Services	\$ (29,105)
<b>Cash Flows from Investing Activities</b>	
Interest Income	78
<b>Net Decrease in Cash Equivalents</b>	(29,027)
<b>Cash and Cash Equivalents, Beginning</b>	67,855
<b>Cash and Cash Equivalents, Ending</b>	\$ 38,828
<b><u>Reconciliation of Operating Loss to Net Cash</u></b>	
<b><u>Provided by (Used in) Operating Activities</u></b>	
Operating Loss	\$ (29,199)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by (Used in) Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Payable	94
<b>Net Cash (Used in) Operating Activities</b>	\$ (29,105)

See accompanying notes.

**LEON COUNTY DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018**

	<b>Other Employee Benefits Trust Fund</b>	<b>Private-purpose Trust Fund</b>	<b>Agency Funds</b>
<b>Assets</b>			
Cash and Cash Equivalents	\$ 12,831,061	\$ 40,209	\$ 4,527,142
Investments	0	0	273,573
Accounts Receivable	9,376	0	0
<b>Total Assets</b>	<b>12,840,437</b>	<b>40,209</b>	<b>4,800,715</b>
<b>Liabilities</b>			
Payroll Deductions and Withholdings	8,371,382	0	0
Due to Other Funds	0	0	272,716
Internal Accounts Payable	0	0	4,527,999
<b>Total Liabilities</b>	<b>8,371,382</b>	<b>0</b>	<b>4,800,715</b>
<b>Net Position</b>			
Held in Trust for Employee Benefits and Other Purposes	\$ 4,469,055	\$ 40,209	\$ 0

See accompanying notes.

**LEON COUNTY DISCTRICT SCHOOL BOARD**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Other Employee Benefits Trust Fund</b>	<b>Private-purpose Trust Fund</b>
<b>Additions</b>		
Contributions:		
Employer	\$ 23,520,827	\$ 0
Plan Members	19,905,981	0
<b>Total Contributions</b>	<u>43,426,808</u>	<u>0</u>
<b>Investment Income</b>		
Interest, Dividends, and Other	19,075	179
<b>Total Additions</b>	<u>43,445,883</u>	<u>179</u>
<b>Deductions</b>		
Purchased Services	32,225	0
Payments to Providers	43,924,337	0
<b>Total Deductions</b>	<u>43,956,562</u>	<u>0</u>
<b>Change in Net Position</b>	<u>(510,679)</u>	<u>179</u>
<b>Net Position, Beginning of Year</b>	<u>4,979,734</u>	<u>40,030</u>
<b>Net Position, End of Year</b>	<u>\$ 4,469,055</u>	<u>\$ 40,209</u>

See accompanying notes.

**LEON COUNTY DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**Note 1 - Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Leon County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Leon County School District (District) is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State laws 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 Unit**

Blended component units, are in substance, part of the primary 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.

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 9. 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, which include the following:

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**A. Reporting Entity (Concluded)**

**Discretely Presented Component Units (Concluded)**

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. The foundation is considered a component unit of the District because of the nature and significance of its relationship with the District.

*Charter Schools*

- The School of Arts and Sciences Foundation, Inc., (d/b/a School of the Arts and Sciences and School of the Arts and Sciences Center)
- Tallahassee School of Math and Science
- Governor's Charter Academy, a department of Renaissance Charter School, Inc.

The School of Arts and Sciences Foundation, Inc.; Tallahassee School of Math and Science; and Governor's Charter Academy, are 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 corporation's funding comes from the District based on their weighted full-time equivalent student membership and the Legislature approved funding for the Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the initial appointment of the charters schools, and there is the potential for the charter schools to impose specific financial burdens on the District.

The financial data reported on the accompanying statements was derived from the Foundation's and four charter schools' audited financial statements for the fiscal year ended June 30, 2017. These audited reports are filed in the District's administrative offices.

**B. 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 non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities are normally supported by taxes, intergovernmental revenues, and other non-exchange transactions. 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 District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**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 funds. 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 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 funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- **General Fund**—to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- **Debt Service Fund, Other Debt Service**—to account for all funds transferred in to pay principal and interest payments on the Bus Lease Purchase and Certificates of Participation.
- **Capital Projects**—Other Capital Projects Fund—to account for financial resources generated by various sources such as certificates of participation and local 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 (VEBT)**—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.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**D. Basis of Presentation: Fund Financial Statements (Concluded)**

- **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 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. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated. 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 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 only the net amount is included as transfers in the business-type activities column.

**E. 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 in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

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 when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. 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). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, other



**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**E. Basis of Accounting (Concluded)**

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 is reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary fund is 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. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates used are those used in the actuarial assumptions for the Other Postemployment Benefits Liability, Net Pension Liability and the Incurred But Not Reported Liability along with depreciable useful lives of capital assets.

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

**Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less.

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.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**G. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position/Fund Balance (Continued)**

**Investments**

Investments consist of amounts placed in the State Board of Administration (SBA) debt service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME investment pool created by Sections 218.405 and 218.417, 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 meet all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Like money market funds, a participant's account balance is a share of the investment pool, not the underlying securities. This investment is reported at amortized cost which is considered the fair value of the participant's investment.

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 and certificates of deposit, which are reported at amortized cost. Types and amounts of investments held at fiscal year-end are described in a subsequent note.

**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 the United States Department of Agriculture donated foods are stated at 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 when purchased.

**Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing \$1,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

**LEON COUNTY DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018  
(Continued)**

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**G. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position/Fund Balance (Continued)**

**Capital Assets (Concluded)**

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	3-5 Years

Current year information relative to changes in capital assets is described in Note 3.

**Deferred Outflows and 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 future periods and so will not be recognized as an outflow of resources expense until then. The District has three (3) items that qualify for reporting in this category. The deferred outflows of resources related to the Florida Retirement System (FRS) Pension Plan, the Retiree Health Insurance Subsidy (HIS) Pension Plan, and the Other Postemployment Benefit (OPEB) Obligation are discussed in subsequent notes.

In addition to liabilities, the statement of financial 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 future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises from the FRS and HIS pensions, that qualifies for reporting in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred Outflow of resources is consumption of net assets by the government that is applicable to a future reporting period, so will not be recognized as an outflow of resources (expenditures) until that time.

**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. Bonds payable and certificates of participation payable are reported net of the applicable premiums. Bonds and certificates of participation are amortized over the life of the debt.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**G. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position/Fund Balance (Continued)**

**Long-term Liabilities (Concluded)**

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums during the current period. The face amount of debt issued and premiums are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Changes in long-term liabilities for the current year are reported in Note 9.

**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.

**Pensions**

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) and the health Insurance Subsidy (HIS) and additions to/deductions from the FRS's and the HIS's 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. In the government-wide financial statement of net position, liabilities are recognized for the District's proportionate share of each pension plan's net pension liability.

The District's retirement plans and related amounts are described in Note 4.

**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.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies *(Continued)***

**G. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position/Fund Balance *(Continued)***

**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.

**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).

***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 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.

***Committed***—fund balance classification may include 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.

***Assigned***—fund balance is the portion of fund balance intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District classifies amounts as assigned that are constrained to be used for specified purposes based on the actions of the Superintendent and Chief financial Officer and are not included in other categories. 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 fiscal 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.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**G. Assets, Liabilities, Deferred Outflows and Inflows of Resources, and Net Position/Fund Balance (Concluded)**

**Fund Balance Policies (Concluded)**

*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.

**H. Revenues and Expenditures/Expenses**

**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.

**State Revenue Sources**

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of 30 days following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

A schedule of revenue from State sources for the current year is presented in Note 11.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**H. Revenues and Expenditures/Expenses (Continued)**

**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 2018 tax levy on September 5, 2017. 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 budgeted for the current year are presented in Note 11.

**Capital Outlay Surtax**

The voters of Leon County (County) approved on November 6, 2012, a one-half cent school capital outlay surtax on sales in the County for 15 years, effective January 1, 2014, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

**Federal Revenue Sources**

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

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**H. Revenues and Expenditures/Expenses (Concluded)**

**Compensated Absences**

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

**Proprietary Fund Operating and Non-operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues and expenses of the District's proprietary fund relate to services provided by the District Permitting Office. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**I. Accounting Changes**

**Governmental Accounting Standards Board Statement No. 75**

The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan. As a plan sponsor, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires employers of single-employer defined benefit plans to report the employers' OPEB Plan liabilities. The requirements of this Statement are being applied retroactively by restating the actuarially determined liabilities of \$32,199,147 at July 1, 2017, date of transition, and deferred outflow of resources of \$1,735,284.

**J. Adjustments to Beginning Net Position**

The beginning net position of the District, was decreased by \$13,024,767 which resulted from two error corrections and the adoption of the new accounting standard described above. One adjustment was related to the correction of errors that were discovered in the District's capital assets and accumulated depreciation balances when compared to subsidiary ledgers. Details of this adjustment are presented in Note 3. The other adjustment reduced the District's compensated absences liability because the retirement rate originally included in the computation of the liability is already accounted for in the District's Net Pension Liability under the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As described above, the District adopted GASB Pronouncement, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 requires the District to recognize a liability and operating statement activities related to changes in the OPEB Plan. As a result of these changes, beginning net position has been restated as follows:



**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 1 - Summary of Significant Accounting Policies (Concluded)**

**J. Adjustments to Beginning Net Position (Concluded)**

<u>Description</u>	<u>Amount</u>
Beginning Net Position Prior to Restatement	\$ 171,460,415
OPEB Plan Liability	(15,075,302)
Deferred Outflow of Resources	1,735,284
Capital Asset Correction	(1,847,231)
Compensated Absences Correction	<u>2,162,482</u>
Net Adjustment to Beginning Net Position	<u>(13,024,767)</u>
<b>Total</b>	<b><u>\$ 158,435,648</u></b>

**Note 2 - Cash Deposits with Financial Institutions and Investments**

*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. All bank balances of the District are fully insured or collateralized as required by Chapter 280, Florida Statutes.

Cash balances from all funds are combined and invested to the extent available. Earnings are allocated monthly to each fund based on ending balances.

**A. Investments**

As of June 30, 2018, the District had the following investments and maturities:

<u>Investments</u>	<u>Maturities</u>	<u>Fair Value</u>
State Board of Administration (SBA):		
Florida PRIME (1)	30 Day Average	\$ 20,585,399
Debt Service Accounts	6 Months	<u>24,997</u>
Total Florida Prime		20,610,396
First American U.S. Treasury Money Market fund Class A (1)	39 Day Average	7,777
First American Government Obligations Fund Class Z (1)	24 Day Average	8,272,226
Fidelity Investments Money Market Government Portfolio Class I (1)	25 Day Average	20,872,566
Corporate Money Market Funds Cash Pool (1)	19 Day Average	13,095,383
United States Treasury Securities	Less than 1 Year	170,324
	1 to 5 Years	681,099
Obligations of United States Government		
Agencies and Instrumentalities	1 to 5 Years	14,774
	Over 10 Years	2,830,753
Corporate Bonds	Less than 1 Year	950,525
Municipal Bonds	Less than 1 Year	580,292
	1 to 5 Years	<u>309,209</u>
Total investments, Governmental Activities		<u>68,395,324</u>
Fiduciary Funds:		
Florida Prime (1)	30 Day Average	3,436
Certificates of Deposit	Less than 1 Year	<u>273,573</u>
Total Investments, Fiduciary Funds		<u>277,009</u>
Total investments, Primary Government		<b><u>\$ 68,672,333</u></b>

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

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 2 - Cash Deposits with Financial Institutions and Investments *(Continued)***

**A. Investments *(Continued)***  
**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.

	<u>Amount</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<b>Investments by Fair Value Level</b>				
SBA Debt Service	\$ 24,997	\$ 24,997	\$ 0	\$ 0
United States Treasury Securities	851,423	0	851,423	0
Obligations of United States Government				0
Agencies and Instrumentalities	2,845,527	0	2,845,527	0
Corporate Bonds	950,525	0	950,525	0
Municipal Bonds	889,501	0	889,501	0
Certificates of Deposit	<u>273,573</u>	<u>0</u>	<u>273,573</u>	<u>0</u>
<b>Total Investments by Fair Value Level</b>	<u>5,835,546</u>	<u>24,997</u>	<u>5,810,549</u>	<u>0</u>
<b>Investments Measured at Amortized Cost</b>				
SBA Florida PRIME	20,588,835			
Money Market Funds	<u>42,247,952</u>			
<b>Total Investments Measured at Amortized Cost</b>	<u>62,836,787</u>			
<b>Total Investments, Primary Government</b>	<u>\$ 68,672,333</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.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 2 - Cash Deposits with Financial Institutions and Investments *(Continued)***

**A. Investments *(Continued)***

■ *Interest Rate Risk (Concluded)*

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, 2018, 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 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 (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District’s investment policy 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. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 2 - Cash Deposits with Financial Institutions and Investments *(Concluded)***

**A. Investments *(Concluded)***

■ *Credit Risk (Concluded)*

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.

The following describes investments held by the District at year-end:

- Florida PRIME, rated AAAm by Standard & Poor's.
- First American Institutional U.S. Treasury Money Market Fund Class A, First American Government Obligations Fund Class Z, and Fidelity Investments Money Market Government Portfolio Class I, rated AAAm by Standard & Poor's.
- Corporate and Municipal bonds, rated at least A by Standard & Poor's and A1 by Moody's.
- United States Treasury Securities and Obligations of the United States Government Agencies and Instrumentalities 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 the 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 business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District'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.

■ *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.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 3 - Capital Assets**

**Changes in Capital Assets**

Changes in capital assets are presented in the table below:

	<u>Beginning Balance</u>	<u>Adjustments (1)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 17,486,642	\$ (30,000)	\$ 473,587	\$ 6,300	\$ 17,923,929
Construction in Progress	7,158,357	0	18,808,500	9,808,914	16,157,943
<b>Total Capital Assets Not Being Depreciated</b>	<b>24,644,999</b>	<b>(30,000)</b>	<b>19,282,087</b>	<b>9,815,214</b>	<b>34,081,872</b>
<b>Capital Assets Being Depreciated</b>					
Improvements Other Than Buildings	36,385,806	0	4,621,585	0	41,007,391
Buildings and Fixed Equipment	555,832,783	7,431	5,187,329	1,163	561,026,380
Furniture, Fixtures, and Equipment	39,016,717	631,318	2,030,468	4,901,867	36,776,636
Motor Vehicles	31,395,246	1,670,623	205,464	2,193,400	31,077,933
Audio Visual Materials	0	5,367,198	3,300	403,550	4,966,948
Computer Software	7,530,071	(4,296,791)	636,126	126,719	3,742,687
<b>Total Capital Assets Being Depreciated</b>	<b>670,160,623</b>	<b>3,379,779</b>	<b>12,684,272</b>	<b>7,626,699</b>	<b>678,597,975</b>
<b>Less Accumulated Depreciation for</b>					
Improvements Other Than Buildings	26,577,167	0	943,080	0	27,520,247
Buildings and Fixed Equipment	213,672,079	472,241	13,412,769	336	227,556,753
Furniture, Fixtures, and Equipment	28,248,968	1,386,825	2,337,921	4,522,993	27,450,721
Motor Vehicles	20,105,944	1,673,769	1,825,870	2,191,784	21,413,799
Audio Visual Materials and	0	3,308,568	358,136	373,271	3,293,433
Computer Software	3,888,111	(1,644,393)	335,658	123,470	2,455,906
<b>Total Accumulated Depreciation</b>	<b>292,492,269</b>	<b>5,197,010</b>	<b>19,213,434</b>	<b>7,211,854</b>	<b>309,690,859</b>
<b>Total capital Assets Being Depreciated, Net</b>	<b>377,668,354</b>	<b>(1,817,231)</b>	<b>(6,529,162)</b>	<b>414,845</b>	<b>368,907,116</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 402,313,353</b>	<b>\$ (1,847,231)</b>	<b>\$ 12,752,925</b>	<b>\$ 10,230,059</b>	<b>\$ 402,988,988</b>

**Note (1):** Adjustments to the capital asset records are described in Note 1J.

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.

**Note 4 - Retirement Plans – Defined Benefit Pension**

**General Information about the Florida Retirement System (FRS)**

The District follows GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for reporting the employers' proportionate share of the net pension liabilities for the FRS and HIS defined benefit pension plans.

The Florida Retirement System (FRS) was created in Chapter 121, Florida Statutes. The FRS was created to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program 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 Health Insurance Subsidy (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.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 4 - Retirement Plans – Defined Benefit Pension (Continued)**

**General Information about the Florida Retirement System (FRS) (Concluded)**

Essentially all regular employees of the District are eligible to enroll as members of the State-administered Florida Retirement System (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 Florida Retirement System 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 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, Division of Retirement ([www.dms.myflorida.com](http://www.dms.myflorida.com)). The FRS Investment Plan is administered by the Florida State Board Administration (SBA), and is reported in an SBA annual financial statement and in the State of Florida Comprehensive Annual Financial Report.

**Florida Retirement System (FRS) Defined Benefit Pension Plan**

*Plan Description.* The FRS Pension Plan (Plan) is a defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class*—Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)*—Members in senior management level positions.
- *Special Risk Class*—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 six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight 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. 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. Members of both Plans 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 FRS 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 employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 4 - Retirement Plans – Defined Benefit Pension (Continued)**

**Florida Retirement System (FRS) Defined Benefit Pension Plan (Continued)**

*Benefits Provided.* Benefits under the FRS Pension 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 retirement plan and/or the 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 chart demonstrates the percentage value for each year of service credit earned:

<b>Class, Initial Enrollment, and Retirement Age/Years of Service</b>	<b>Percent Value</b>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
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
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
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
<b>Special Risk Regular</b>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on or after October 1, 1975	3.00
<b>Senior Management Service Class</b>	2.00
<b>Elected Officers' Class</b>	3.00

As provided in Section 121.101, Florida Statutes, if the member is 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 is initially enrolled before July 1, 2011 and has service 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.

Prior to July 1, 2011, the FRS was noncontributory for employees. Beginning July 1, 2011, employees who are not participating in DROP are required to contribute 3 percent of their salary to the FRS. The District is required to contribute an actuarially determined rate based on employee salary.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 4 - Retirement Plans – Defined Benefit Pension (Continued)**

**Florida Retirement System (FRS) Defined Benefit Pension Plan (Continued)**

*Contributions.* The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3.00	7.92
Florida Retirement System, Elected County Officers	3.00	45.50
Florida Retirement System, Special Risk	3.00	23.27
Deferred Retirement Option Program – Applicable to Members from All of the Above Classes	0.00	13.26
Florida Retirement System, Reemployed Retiree	(B)	(B)

**Notes:**

- (1) Employer rates include 1.66% for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04% for administrative costs of the Investment Plan.
- (2) Contribution rates are dependent upon the retirement class in which reemployed.

The District's contributions to the defined benefit pension plan totaled \$10,999,006 for the fiscal year ended June 30, 2018, excluding HIS plan contributions.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2018, the District reported a liability of \$116,788,035 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportionate share was 0.3948299 percent, which was a decrease of 0.000929 percentage points (0.23 percent) from its proportionate share measured as of June 30, 2016 (0.395759454 percent).

For the year ended June 30, 2018, the District recognized pension expense of \$17,870,543. At June 30, 2018, 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	\$ 10,718,331	\$ 646,946
Changes of Assumptions	39,249,025	0
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	0	2,894,299
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	0	6,553,376
District FRS Contributions Subsequent to the Measurement Date	10,999,006	0
<b>Total</b>	<u>\$ 60,966,362</u>	<u>\$ 10,094,621</u>



**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 4 - Retirement Plans – Defined Benefit Pension (Continued)**

**Florida Retirement System (FRS) Defined Benefit Pension Plan (Continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. (Concluded)*

The deferred outflows of resources related to pensions totaling \$10,099,006 resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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>
2019	\$ 4,478,555
2020	14,525,264
2021	9,693,959
2022	739,094
2023	7,284,662
Thereafter	<u>3,151,201</u>
<b>Total</b>	<b><u>\$ 39,872,735</u></b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	July 1, 2017
Measurement Date	June 30, 2017
Asset Valuation Method	Fair Market Value
Discount Rate (Municipal Bond Rate)	7.10 percent
Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	7.10 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, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013. There were no changes in actuarial assumptions. As a result of the 2014 actuarial experience study, the inflation rate assumption remained at 2.60%, the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return was revised to 7.10%.

The long-term expected rate of return assumptions on pension plan investments are not based on historical returns, but instead are based on a forward-looking capital market economic model. An analytical basis for the selection of the long-term expected rate of return assumption was developed in October 2015, when the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below demonstrates Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. 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.

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**Note 4 - Retirement Plans – Defined Benefit Pension (Continued)**

**Florida Retirement System (FRS) Defined Benefit Pension Plan (Concluded)**  
*Actuarial Assumptions. (Concluded)*

<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	1.00%	3.00%	3.00%	1.80%
Fixed Income	18.00%	4.70%	4.40%	4.20%
Global Equity	53.00%	7.80%	6.60%	17.00%
Real Estate (Property)	10.00%	6.60%	5.90%	12.80%
Private Equity	6.00%	11.50%	7.80%	30.00%
Strategic Investments	12.00%	6.10%	5.60%	9.70%
<b>Total</b>	<b>100.00%</b>			
Assumed inflation - Mean			2.60%	1.90%

Note: (1) As outlined in the Plan's Investment Policy

*Discount Rate.* The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating members will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the District's Proportionate Share of the Net Position 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 7.60 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	<u>1% Decrease 6.10%</u>	<u>Current Discount Rate 7.10%</u>	<u>1% Increase 8.10%</u>
District's Proportionate Share of the Net Pension Liability	\$ <u>211,379,290</u>	\$ <u>116,788,035</u>	\$ <u>38,255,622</u>

*Pension Plan Fiduciary Net Position.* Detailed information about pension plan's fiduciary net position is available in the separately issued FRS Comprehensive Annual Financial Report.

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**Note 4 - Retirement Plans – Defined Benefit Pension (Continued)**

**Health Insurance Subsidy (HIS) Defined Benefit 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. It is a monthly subsidy payment to assist retirees of State-administered retirement systems in paying health insurance costs and is administered by the Florida Department of Management Services, division of Retirement. Persons are eligible for health insurance subsidy payments who are retired under a state-administered retirement system, or a beneficiary who is a spouse or financial dependent entitled to receive benefits under a state-administered retirement system except those individuals who are pension recipients under Section 121.40, 237.08(18)(a) and 250.22, Florida Statutes, or recipients of health insurance coverage under Section 110.1232, Florida Statutes or any other special pension or relief act are not eligible for such pension payments. A person is deemed retired from a state-administered retirement system when he or she terminates employment with all employers participating in the Florida Retirement System and:

- For a member of the FRS investment plan, the participant meets the age or service requirements to qualify for normal retirement per Section 121.021(29), Florida Statutes and meets the definition of retiree in Section 121.4501(2), Florida Statutes.
- For a member of the FRS defined benefit pension plan, or any employee who maintains creditable service under the pension plan and the investment plan, the member begins drawing retirement benefits from the pension plan.

Any person retiring on or after July 1, 2001, as a member of the Florida Retirement System, including a member of the investment plan, must satisfy the vesting requirements for his or her membership class under the pension plan as administered under Chapter 121, Florida Statutes. Any person retiring due to disability must qualify for a regular or in-line-of-duty disability benefit per provisions under Chapter 112, Florida Statutes. Additionally, participants in the Senior Management Service Optional Annuity Program and the State District System Optional Retirement Program are not eligible to receive benefits from the HIS plan.

*Benefits Provided.* For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

*Contributions.* The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The state contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS 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.

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*(Continued)*

**Note 4 - Retirement Plans – Defined Benefit Pension (Continued)**

**Health Insurance Subsidy (HIS) Defined Benefit Pension Plan (Continued)**  
*Contributions. (Concluded)*

The District's contributions to the HIS defined-benefit pension plan totaled \$2,929,177 for the fiscal year ended June 30, 2018.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2018, the District reported a net pension liability of \$116,788,035 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The District's proportionate share of the net pension liability was based on projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportionate share was 0.549877103 percent, which was a decrease of 0.00898988 percentage points (1.66 percent) from its proportionate share measured as of June 30, 2016 (0.540887223 percent).

For the year ended June 30, 2018, the District recognized pension expense of \$3,812,859. At June 30, 2018, 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	\$ 0	\$ 122,422
Changes of Assumptions	8,264,611	5,084,100
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	32,606	0
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	762,233	3,383,853
District Contributions Subsequent to the Measurement Date	<u>2,929,177</u>	<u>0</u>
<b>Total</b>	<u>\$ 11,988,627</u>	<u>\$ 8,590,375</u>

The deferred outflows of resources totaling \$2,929,177 was related to pensions resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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*(Continued)*

**Note 4 - Retirement Plans – Defined Benefit Pension (Continued)**

**Health Insurance Subsidy (HIS) Defined Benefit Pension Plan (Concluded)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. (Concluded)*

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 304,297
2020	298,127
2021	295,166
2022	323,599
2023	(30,896)
Thereafter	(721,218)
<b>Total</b>	<u>\$ 469,075</u>

*Actuarial Assumptions.* The actuarial assumptions that determined the total pension liability as of June 30, 2017, were based on certain results of an actuarial experience study of the FRS for the period July 1, 2008 through June 30, 2013. The total pension liability in the July 1, 2017, 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
Discount Rate	3.58 percent

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

*Discount Rate.* The discount rate used to measure the total pension liability was 3.58 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.

*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 3.58 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 (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
	<u>2.58%</u>	<u>3.58%</u>	<u>4.58%</u>
District's Proportionate Share of the Net Pension Liability	\$ 67,093,334	\$ 58,795,397	\$ 51,883,674

*Pension Plan Fiduciary Net Position.* Detailed information about pension plan's fiduciary net position is available in the separately issued FRS Comprehensive Annual Financial Report.

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**Note 4 - Retirement Plans – Defined Benefit Pension (Continued)**

**FRS – Defined Contribution Pension Plan**

The District contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA’s annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member’s account upon retirement.

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. Service retirement benefits are based upon the value of the members 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 Class, 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 plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member’s accounts during the 2017-18 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer</u>
Florida Retirement System, Regular	3.00	3.30
Florida Retirement System, Elected County Officers	3.00	8.34
Florida Retirement System, Special Risk	3.00	11.00

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. 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. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. 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.

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**Note 4 - Retirement Plans – Defined Benefit Pension (Concluded)**

**FRS – Defined Contribution Pension Plan (Concluded)**

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; 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 \$742,886 for the fiscal year ended June 30, 2018.

**Note 5 - Other Postemployment Benefit Plan – OPEB Plan**

The District follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for reporting the employers’ OPEB Plan liability.

*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, prescription drug, dental, and vision 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, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. 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. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

*Summary of Membership Information.* The following table provides a summary of the number of participants in the plan as of the measurement date:

Retirees and Beneficiaries	944
Inactive, Nonretired Members	0
Active Members	2,990
<b>Total Plan Members</b>	<b>3,934</b>

*Changes in the Total OPEB Plan Liability.* The following table shows the change in the District’s OPEB Plan liability:

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**Note 5 - Other Postemployment Benefit Plan – OPEB Plan** *(Continued)*

*Changes in the Total OPEB Plan Liability. (Concluded)*

<u>Description</u>	<u>Amount</u>
Service Cost	\$ 1,143,416
Interest on Total OPEB Plan Liability	948,268
Changes of Assumptions	(2,340,268)
Benefit Payments	<u>(1,735,284)</u>
<b>Net Change in Total OPEB Plan Liability</b>	<b>(1,983,868)</b>
<b>Net OPEB Plan Liability, Beginning of Year</b>	<u>32,199,146</u>
<b>Net OPEB Plan Liability, End of Year</b>	<u><u>\$ 30,215,278</u></u>

*Funded Status and Funding Progress.* As of June 30, 2017, the most recent valuation date, the total OPEB Plan liability was \$30,215,278, and assets held in trust were \$0, resulting in a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$114,416,406, and the ratio of the total OPEB Plan liability to the covered payroll was 26.41 percent.

The OPEB Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB expense or the net OPEB Plan liability, and the OPEB Plan is financed on a pay-as-you-go basis.

*Actuarial Valuation Date.* For employee and retiree population purposes, June 30, 2017, was the actuarial valuation date. For development of per capita cost purposes and for valuation purposes, January 1, 2018, was used as the effective date of OPEB Plan provisions.

*Actuarial Valuation Methods and Assumptions.* 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 and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plan are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Individual Entry Age Normal Cost Method with an increasing normal cost pattern consistent with the salary increase assumptions used in the July 1, 2016, actuarial valuation of the Florida Retirement (FRS) was used in the OPEB Plan liability calculation.

Demographic assumptions employed in the actuarial valuation were the same as those employed in the July 1, 2016, actuarial valuation of the FRS Benefit Pension Plan. These demographic assumptions were developed by FRS from an Actuarial Experience Study, and therefore are appropriate for use in the OPEB Plan Actuarial Valuation. These include assumed rates of future termination, mortality, disability, and retirement. In addition, salary increase assumptions (for development of the pattern of the normal cost increases) were the same as those used in the July 1, 2016, actuarial valuation of the FRS Defined Benefit Pension Plan. Assumptions used in valuation of benefits for participants of the FRS Investment plan are the same as for similarly situated participants of the FRS Defined Benefit Pension Plan.



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(Continued)**

**Note 5 - Other Postemployment Benefit Plan – OPEB Plan (Continued)**

*Actuarial Valuation Methods and Assumptions. (Concluded)*

Mortality tables used in the July 1, 2016, actuarial valuation of the Florida Retirement System were used. They are based on the results of a statewide experience study covering the period 2008 through 2013.

The total OPEB Plan liability actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.70 percent to 7.8 percent, including inflation as used in the July 1, 2016, actuarial valuation of the Florida Retirement System

Healthcare cost trend rates were based on the Getzen Model, with trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.24%. The impact of the excise tax on High-Cost Employer Health Plans (aka “Cadillac” tax) is modeled by adding 0.37% to the assumed medical trend rates for 2022 and all subsequent years.

Aging factor expenses were based on the 2013 SOA Study “Health Care Costs – From Birth to Death”. Administrative expenses are included in the per capita health costs.

*Discount Rate.* There are no invested plan assets held in trust to finance the OPEB Plan liability. The discount rate used equals the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA rating as of the measurement date. For the purpose of the OPEB Plan valuation, the municipal bond rate was 3.56% (based on the daily rate closest to but not later than the measurement date of the “Fidelity General Obligation AA Index”). The discount rate was 2.92% as of the beginning of the measurement period.

The District’s annual OPEB expense totaled \$1,819,560 for the fiscal year ended June 30, 2018. At June 30, 2018, the District reported deferred outflows and inflows of resources related to the OPEB Plan liability from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 0	\$ 2,068,144
District Contributions Subsequent to the Measurement Date	1,711,610	0
<b>Total</b>	<u>\$ 1,711,610</u>	<u>\$ 2,068,144</u>

Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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**Note 5 - Other Postemployment Benefit Plan – OPEB Plan (Concluded)**

*Discount Rate. (Concluded)*

	<b>Amount</b>
2019	\$ (272,124)
2020	(272,124)
2021	(272,124)
2022	(272,124)
2023	(272,124)
Thereafter	(707,524)
<b>Total</b>	<b>\$ (2,068,144)</b>

*Sensitivity of the District’s Total OPEB Plan Liability to Changes in the Discount Rate.* The following presents the District’s OPEB Plan liability calculated using the discount rate of 3.56 percent, as well as what the OPEB Plan liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current rate:

	<b>1% Decrease 2.56%</b>	<b>Current Discount Rate 3.56%</b>	<b>1% Increase 4.56%</b>
<b>OPEB Plan Liability</b>	\$ 33,997,736	\$ 30,215,278	\$ 27,050,717

*Sensitivity of the District’s Total OPEB Plan Liability to the Healthcare Cost Trend Rate Assumption.* Regarding the sensitivity of the total OPEB liability, calculated using the assumed trend rates as well as what the OPEB Plan’s total liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	<b>1% Decrease (6.00% Down To 3.61%)</b>	<b>Current Healthcare Cost Trend Rate Assumption</b>	<b>1% Increase (8.00% Down to 5.61%)</b>
<b>OPEB Plan Liability</b>	\$ 27,879,599	\$ 30,215,278	\$ 32,642,120

**Note 6 - Encumbrances**

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

The following is a schedule of encumbrances at June 30, 2018:

<b>Major Funds</b>					
	<b>Special Revenue Food Service</b>	<b>Capital Projects Local Capital Improvement</b>	<b>Capital Projects Other Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>General</b>	\$ 2,087,166	\$ 0	\$ 0	\$ 15,289,420	\$ 6,419,384
					\$ 23,795,970

**LEON COUNTY DISTRICT SCHOOL BOARD**  
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**Note 7 - Construction Commitments**

<u>Projects</u>	<u>Description</u>	<u>Contract Amount</u>	<u>Completed June 30, 2018</u>	<u>Balance Committed</u>
Chaires	New Construction, Remodeling, Renovation Drainage and Site Improvement	\$ 3,050,828	\$ 1,737,292	\$ 1,313,536
Fairview	New Construction Gymnasium	5,334,095	1,541,037	3,793,058
Sullivan	Window Replacement	2,151,828	994,718	1,157,110
Raa	Parent Drop-off Canopy and Site Improvement	205,483	143,133	62,350
Rickards	New Construction, Remodeling, Renovation and Site Improvement	5,259,762	1,953,862	3,305,900
Sealey	Renovations Gymnasium	1,651,936	851,574	800,362
Cobb	Roof Replacement and ADA Bathroom Renovations	2,425,000	2,399,888	25,112
Cox	Field Replacement and Site work	1,543,059	717,607	825,452
WT Moore	Site Work-PE Fields and Drainage	1,922,674	875,139	1,047,535
WT Moore	Upgrade Chiller and Boiler	915,469	754,749	160,720
Springwood	New Construction - Cafeteria	3,007,136	1,569,884	1,437,252
Lively	HVAC System	750,000	437,815	312,185
Pineview	Roof Replacement	850,000	806,512	43,488
Central Kitchen	Roof Replacement	690,000	677,868	12,132
Various	Projects under \$150,000 individually	822,685	696,865	125,820
<b>Total</b>		<u>\$ 30,579,955</u>	<u>\$ 16,157,943</u>	<u>\$ 14,422,012</u>

**Note 8 - 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. Workers' compensation, automobile liability, general liability, property damage, and boiler and machinery coverage are being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage of claim amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims. Settled claims resulting from the risks described above have not exceeded commercial insurance coverage in any of the past three fiscal years.

A liability in the amount of \$5,043,183 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2018.

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

	<u>Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Payments</u>	<u>Fiscal Year-end</u>
2016-17	\$ 4,214,849	\$ 1,560,193	\$ (720,026)	\$ 5,055,016
2017-18	5,055,016	126,258	(138,091)	5,043,183

**LEON COUNTY DISTRICT SCHOOL BOARD**  
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**Note 8 - Risk Management Programs (Concluded)**

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

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

**Note 9 - Long-term Liabilities**

**Lease Purchase Agreement**

Description – Lease Purchase Agreement: School Buses

Amount Outstanding - \$5,547,065

Interest Rate – 2.033%

Final Maturity – October 1, 2023

The District entered into a financing arrangement on December 18, 2014, which was characterized as a lease purchase agreement, whereby the District secured financing to purchase 45 compressed natural gas school buses.

Amounts payable for the planned extended repayment of the lease purchase agreement is as follows:

<b>Year Ending June 30,</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>
2019	\$ 991,397	\$ 878,625	\$ 112,772
2020	991,397	896,488	94,909
2021	991,398	914,714	76,684
2022	991,398	933,310	58,088
2023	991,397	952,284	39,113
2024	991,398	971,644	19,754
<b>Total Minimum Lease Payments</b>	<b>\$ 5,948,385</b>	<b>\$ 5,547,065</b>	<b>\$ 401,320</b>

**Certificates of Participation**

Certificates of participation at June 30, 2018, are as follows:

<b>Series</b>	<b>Amount Outstanding</b>	<b>Interest Rates (Percent)</b>	<b>Lease Term Maturity</b>	<b>Original Amount</b>
Series 2016 Refunding	\$ 45,900,000	1.818	2026	\$ 58,410,000
QZAB 2004	3,313,000	0.00	2020	3,313,000
QZAB 2008A	1,872,000	0.19	2024	5,000,000
QZAB 2008B	6,000,000	1.7	2023	15,000,000
QZAB 2010	33,209,140	5.68	2028	33,209,140
QSCB 2010	18,597,100	4.84	2027	18,597,100
<b>Total Certificates of Participation</b>	<b>\$ 108,891,240</b>			<b>\$ 133,529,240</b>

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 9 - Long-term Liabilities (Continued)**

**Certificates of Participation (Continued)**

The District entered into financing arrangement on October 1, 1997, characterized as lease-purchase agreements, with the Leon County School Board Leasing Corporation (Leasing Corporation), whereby the District secured the financing of Lawton Chiles High School for a 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. The financing was accomplished through the issuance, by the Leasing Corporation to third-party investors, of certificates of participation.

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 these QZABs, the District was required to make the five annual payments of \$418,854, which were 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 November 23, 2020.

The Leasing Corporation issued COPS, Series 2005, Refunding, on March 9, 2005, to advance refund a portion of the COPs, Series 1997.

The master financing arrangement was amended on June 15, 2006, to issue COPs, series 2006, in the amount of \$61,795,000. The COPs were issued to secure financing of various educational facilities throughout the District.

The master financing arrangement was amended on March 6, 2008, to issue 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.

The master financing arrangement was amended on September 24, 2010, to issue 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. Principal payments are made into a sinking fund for the debt to be paid in full at the end of its term in 2027.

The master financing arrangement was amended on December 28, 2010, to issue 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. Principal payments are paid into a sinking fund for the debt to be paid in full at the end of its term in 2028.

The master financing arrangement was amended on April 14, 2016, to refund COPs Series 2005 and Series 2006, in the amount of \$58,410,000.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 9 - Long-term Liabilities (Continued)**

**Certificates of Participation (Continued)**

The District gave ground leases on District properties to the Leasing Corporation with a rental fee of \$10 per year as a condition of the financing arrangements. 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); and 18 years commencing on December 1, 2011, (Series 2010 QZABs). 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 leases and to provide for the rent payments through to term, the District may be required to surrender the sites included under the ground Lease Agreement for the benefit of the securers of the COPs for a period of time specified by the arrangement which may be up to 35 years from the date of inception of the arrangement.

The District properties included in the ground leases under these arrangements include:

- Series 2004 QZABs – Technology equipment at 24 District school sites as listed in the lease schedule.
- Series 2008A QZABs and Series 2008B QZABs – Technology-related improvements at Riley Elementary School, Griffin Middle School, and Godby High School.
- Series 2010 QSCBs – New construction at Gilchrist Elementary School, Killearn Lakes Elementary School, Kate Sullivan Elementary School, and Gretchen Everhart School.
- Series 2010 QZABs – 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 2016 Refunding (Refunding of Series 2005 refunding, which originally refunded Series 1997, and Refunding of Series 2006) – Construction of Lawton Chiles High School, Montford Middle School, Conley Elementary School, and renovations to Pineview Elementary School, Deerlake Middle School, Killearn Lakes Elementary School, Lawton Chiles High School, and Lincoln High School.

The Series 2016, Refunding, mature on July 1, 2026, with semiannual lease payments on July 1 and January 1, have a fixed interest rate of 1.818 percent. The Series 2004 QZABs mature on November 23, with interest rates paid by the Federal government in the form of annual tax credits to COP holders. The Series 2008A QZAB lease payments are payable annually on March 9 at a fixed interest rate of 0.19 percent. The Series 2008B QZABs lease payments are payable annually on September 1 at a fixed rate of 4.84%. The lease payments for the Series 2010 QZABs are payable annually on December 1 at a fixed interest rate of 5.68%. The Series 2010 QSCBs and the Series 2010 QZABs receive Federal subsidies at the same interest rates as the bonds, resulting in a net zero percent cost to the District.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 9 - Long-term Liabilities (Continued)**

**Certificates of Participation (Continued)**

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, 2018:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 4,621,167	\$ 1,312,000	\$ 3,309,167
2020	10,356,855	6,697,000	3,659,855
2021	13,648,499	10,105,000	3,543,499
2022	10,317,371	6,892,000	3,425,371
2023	10,297,425	6,992,000	3,305,425
2024-2028	39,460,576	25,087,000	14,373,576
2029	52,749,380	51,806,240	943,140
<b>Total Minimum Lease Payments</b>	<u>\$ 141,451,273</u>	<u>\$ 108,891,240</u>	<u>\$ 32,560,033</u>

Bonds payable at June 30, 2018, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>	<u>Original Amount</u>
State School Bonds:				
Series 2009A (New Money)	\$ 740,000	2.00-5.00	2029	\$ 945,000
Series 2009A, Refunding	40,000	3.00	2019	500,000
Series 2010A, Refunding	285,000	3.00-5.00	2021	2,175,000
Series 2014B, Refunding	21,000	2.00-5.00	2020	7,055,000
District Revenue Bonds:				
Series 2014	<u>59,520,000</u>	1.82-3.66	2027	<u>75,000,000</u>
Total Bonds Payable	\$ 60,606,000			<u>\$ 85,675,000</u>
Add Unamortized Bond Premium	<u>6,154,653</u>			
<b>Total Certificates of Participation</b>	<u>\$ 66,760,653</u>			

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

■ **State School Bonds**

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

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 9 - Long-term Liabilities (Continued)**

**Certificates of Participation (Concluded)**

■ **Sales Tax Revenue Bonds, Series 2014**

These bonds are authorized by Section 212.055(6), Florida Statutes. These bonds are secured by a pledge of proceeds from a one-half cent discretionary sales surtax levied as authorized by the voters of Leon County on November 6, 2012.

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 2017-2018 fiscal year, the District recognized sales tax revenues totaling \$21,826,346 and expended \$7,455,950 (34 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, approximately 35 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, 2018, are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
<b>State School Bonds:</b>			
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	82,338	60,000	22,338
2024-2028	<u>562,975</u>	<u>485,000</u>	<u>77,975</u>
<b>Total State School Bonds</b>	<u>1,327,905</u>	<u>1,086,000</u>	<u>241,905</u>
<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
<b>Sales Tax Revenue Bonds:</b>			
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	7,428,200	5,760,000	1,668,200
2024-2028	<u>37,090,900</u>	<u>33,340,000</u>	<u>3,750,900</u>
<b>Total Sales Tax Revenue Bonds</b>	<u>74,292,400</u>	<u>59,520,000</u>	<u>14,772,400</u>
 <b>Total</b>	 <u>\$ 75,620,305</u>	 <u>\$ 60,606,000</u>	 <u>\$ 15,014,305</u>



**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 9 - Long-term Liabilities (Concluded)**

**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
<b>Governmental Activities</b>					
Debt Related to Capital Assets:					
Certificates of Participation Payable	\$ 115,488,240	\$ 0	\$ 6,597,000	\$ 108,891,240	\$ 1,312,000
Lease Purchase Payable	6,408,184	0	861,119	5,547,065	878,626
Bonds Payable	65,354,000	0	4,748,000	60,606,000	4,915,000
Premiums	6,897,454	0	742,801	6,154,653	0
Total Capital Asset Related Debt	<u>194,147,878</u>	<u>0</u>	<u>12,948,920</u>	<u>181,198,958</u>	<u>7,105,626</u>
Compensated Absences Payable	29,467,245	3,613,177	2,651,451	30,428,971	2,620,805
Other Postemployment Benefits Payable*	32,199,147	0	1,983,868	30,215,279	1,735,284
Estimated Insurance Claims Payable	5,055,016	126,258	138,091	5,043,183	1,327,696
Net Pension Liability:					
Florida Retirement System	99,929,574	16,858,461	0	116,788,035	0
Health Insurance Subsidy	63,038,165	0	4,242,768	58,795,397	1,722,320
<b>Total Governmental Activities</b>	<u>\$ 423,837,025</u>	<u>\$ 20,597,896</u>	<u>\$ 21,965,098</u>	<u>\$ 422,469,823</u>	<u>\$ 14,511,731</u>

\*The beginning Other Postemployment Benefits Payable balance presented above has been increased by \$15,075,302 as a result of the implementation of GASB Statement No. 75.

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

**Note 10 - Deferred Outflow/Inflow of Resources**

The unrestricted net position includes the effect of deferred outflow of resources equal to \$74,666,599 and inflow of resources equal to \$20,753,140 at June 30, 2018, respectively, which will be recognized as expenditures (outflow) and revenue (inflow) in subsequent years.

Description	Beginning Balance	Additions	Deductions	Ending Balance
<b>Governmental Activities</b>				
Other Postemployment Benefits	\$ 1,735,284	\$ 0	\$ 23,674	\$ 1,711,610
Pension Related Deferred Outflows:				
Florida Retirement System	49,805,787	60,966,363	49,805,787	60,966,363
Total Deferred Outflows				
Health Insurance Subsidy	<u>12,834,272</u>	<u>11,988,627</u>	<u>12,834,272</u>	<u>11,988,627</u>
Total Deferred Outflows	<u>\$ 64,375,343</u>	<u>\$ 72,954,990</u>	<u>\$ 62,663,733</u>	<u>\$ 74,666,600</u>
Pension Related Deferred Inflows:				
Other Postemployment Benefits	\$ 0	\$ 2,068,144	\$ 0	\$ 2,068,144
Florida Retirement System	8,920,972	10,094,621	8,920,972	10,094,621
Health Insurance Subsidy	<u>4,309,570</u>	<u>8,590,375</u>	<u>4,309,570</u>	<u>8,590,375</u>
Total Deferred Inflows	<u>\$ 13,230,542</u>	<u>\$ 20,753,140</u>	<u>\$ 13,230,542</u>	<u>\$ 20,753,140</u>

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Continued)*

**Note 11 - Revenues**

**Schedule of State Revenue Sources**

The following is a schedule of the District's State revenue sources for the 2017-18 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 123,213,982
Class Size Reduction	36,389,349
Workforce Development	6,322,703
Miscellaneous Revenue	5,526,178
Florida School Recognition	2,182,273
CO & DS Distributed	1,044,134
PECO Funds	983,197
Voluntary Prekindergarten Program	507,436
Charter School Capital Outlay Fund	314,520
CO & DS Withheld SBE Bonds	290,539
Adult With Disabilities	225,000
Racing Commission Funds	223,250
School Lunch Supplement	93,189
School Breakfast Supplement	81,321
Discretionary Lottery	59,225
Other Miscellaneous State Revenue	56,300
State License Tax	53,129
Undistributed CO & DS Interest	28,787
CO & DS Withheld Administration Expense	20,325
SBE Bond Interest	1,741
<b>Total State Revenue</b>	<b>\$ 177,616,578</b>

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

**Property Taxes**

The following is a summary of millages and taxes budgeted from the 2017 tax roll for the 2017-18 fiscal year; taxes budgeted are stated at 96 percent of the actual tax roll levy to allow for early payment discounts and uncollectable amounts:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Budgeted</u>
Nonvoted School Tax:		
Require Local Effort	4.325	\$ 70,585,590
Required Local Effort –		
Prior Period Adjustment	0.000	0
Basic Discretionary Local Effort	0.748	12,173,611
<b>Capital Projects Funds</b>		
Nonvoted Tax:		
Local Capital Improvement	1.500	24,465,927
<b>Total</b>	<b>6.573</b>	<b>\$ 107,225,128</b>

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**  
*(Concluded)*

**Note 12 - Interfund Balances**

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:	\$ 6,310,224	\$ 0
General	10,499,343	0
Debt Service:		
Other Debt Service	0	0
Capital Projects:		
Other Capital Projects	0	7,460,400
Nonmajor Governmental	<u>8,615,253</u>	<u>17,964,420</u>
<b>Total</b>	<u>\$ 25,424,820</u>	<u>\$ 25,424,820</u>

Transfers from the Capital Projects Funds are for payments of principal and interest on certificates of participation and bonds, and to assist in funding maintenance operations of the District. The remaining transfers between funds were operational in nature.

Interfund receivables and payables consist of the following at June 30, 2018:

	<u>Due from</u> <u>Other Funds</u>	<u>Due to</u> <u>Other Funds</u>
General Fund	\$ 272,716	\$ 0
Agency Funds	0	272,716

**Note 13 - Summary Disclosure of Significant Contingencies**

**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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 195,607	\$ 220,849	\$ 220,849	\$ 0
Federal Through State and Local	20,000	53,849	53,849	0
State	168,643,119	174,446,425	174,446,425	0
Local:				
Property Taxes	82,762,474	82,934,953	82,934,953	0
Miscellaneous	8,287,726	12,366,174	12,362,200	(3,974)
Total Local Revenues	<u>91,050,200</u>	<u>95,301,127</u>	<u>95,297,153</u>	<u>(3,974)</u>
<b>Total Revenues</b>	<u>259,908,926</u>	<u>270,022,250</u>	<u>270,018,276</u>	<u>(3,974)</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	173,120,455	176,650,643	156,378,141	20,272,502
Student Support Services	8,469,372	9,949,170	9,054,900	894,270
Instructional Media Services	3,891,891	3,941,648	3,702,690	238,958
Instruction and Curriculum				
Development Services	4,414,324	7,362,511	6,532,448	830,063
Instructional Staff Training Services	1,910,509	1,283,746	522,210	761,536
Instruction-related Technology	2,846,891	3,643,136	3,146,665	496,471
Board	1,052,442	1,276,133	1,026,294	249,839
General Administration	1,325,190	1,375,952	1,057,150	318,802
School Administration	20,184,413	21,266,333	20,523,841	742,492
Facilities Acquisition and Construction	2,250,837	731,525	548,227	183,298
Fiscal Services	2,498,539	2,619,610	2,341,378	278,232
Central Services	8,721,727	8,153,867	6,354,842	1,799,025
Student Transportation Services	13,770,285	14,670,129	14,280,667	389,462
Operation of Plant	22,043,367	20,848,921	18,577,313	2,271,608
Maintenance of Plant	9,963,339	10,204,854	9,576,438	628,416
Administrative Technology Services	5,170,422	5,675,163	5,223,080	452,083
Community Services	8,440,092	7,997,795	5,474,076	2,523,719
Fixed Capital Outlay:				
Facilities Acquisition and Construction	0	0	0	0
Other Capital Outlay	0	4,055,857	1,455,663	2,600,194
Debt Service:				
Principal	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
<b>Total Expenditures</b>	<u>290,074,095</u>	<u>301,706,993</u>	<u>265,776,023</u>	<u>35,930,970</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(30,165,169)</u>	<u>(31,684,743)</u>	<u>4,242,253</u>	<u>35,926,996</u>
<b>Other Financing Sources</b>				
Transfers in	5,475,005	6,310,224	6,310,224	0
<b>Net Change in Fund Balances</b>	<u>(24,690,164)</u>	<u>(25,374,519)</u>	<u>10,552,477</u>	<u>35,926,996</u>
<b>Fund Balances, Beginning</b>	<u>40,190,269</u>	<u>40,190,269</u>	<u>40,190,269</u>	<u>0</u>
<b>Fund Balances, Ending</b>	<u>\$ 15,500,105</u>	<u>\$ 14,815,750</u>	<u>\$ 50,742,746</u>	<u>\$ 35,926,996</u>

**LEON COUNTY DISTRICT SCHOOL BOARD  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY -  
FLORIDA RETIREMENT SYSTEM PENSION PLAN**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the FRS Net Pension Liability	0.394829900%	0.395759454%	0.449757910%	0.463930418%	0.464637005%
District's Proportionate Share of the FRS Net Pension Liability	\$ 116,788,035	\$ 99,929,573	\$ 58,092,266	\$ 28,306,578	\$ 79,984,708
District's Covered Payroll	176,038,046	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 Covered Payroll	66.34%	59.76%	33.34%	16.57%	45.66%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.89%	84.88%	92.00%	96.09%	88.54%

**LEON COUNTY DISTRICT SCHOOL BOARD  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
FLORIDA RETIREMENT SYSTEM PENSION PLAN**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required FRS Contribution	\$ 10,999,006	\$ 10,278,395	\$ 9,651,225	\$ 10,965,480	\$ 10,162,045
FRS Contribution in Relation to the Contractually Required Contribution	(10,999,006)	(10,278,395)	(9,651,225)	(10,965,480)	(10,162,045)
FRS Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's Covered Payroll	<u>\$ 174,852,397</u>	<u>\$ 176,038,046</u>	<u>\$ 167,212,535</u>	<u>\$ 174,262,691</u>	<u>\$ 170,819,266</u>
FRS Contribution as a Percentage of Covered Payroll	6.29%	5.84%	5.77%	6.29%	5.95%

**Notes:**

- (1) - The amounts presented for each fiscal year were determined as of June 30.
- (2) - GASB requires information for 10 years; however, until a full 10 year trend is compiled, only the years that information was available have been presented.

**LEON COUNTY DISTRICT SCHOOL BOARD  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY -  
HEALTH INSURANCE SUBSIDY PENSION PLAN**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the FRS Net Pension Liability	0.549877103%	0.540887223%	0.574085981%	0.575286134%	0.602917579%
District's Proportionate Share of the FRS Net Pension Liability	\$ 58,795,397	\$ 63,038,165	\$ 58,547,740	\$ 53,790,657	\$ 52,491,902
District's Covered Payroll	176,038,046	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 Covered Payroll	33.40%	37.70%	33.60%	31.49%	29.96%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	1.64%	0.97%	0.50%	0.99%	1.78%

**LEON COUNTY DISTRICT SCHOOL BOARD  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
HEALTH INSURANCE SUBSIDY PENSION PLAN**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required FRS Contribution	\$ 2,929,177	\$ 2,910,109	\$ 2,772,392	\$ 2,194,514	\$ 1,970,737
FRS Contribution in Relation to the Contractually Required Contribution	(2,929,177)	(2,910,109)	(2,772,392)	(2,194,514)	(1,970,737)
FRS Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
District's Covered Payroll	<u>\$ 174,852,397</u>	<u>\$ 176,038,046</u>	<u>\$ 167,212,535</u>	<u>\$ 174,262,691</u>	<u>\$ 170,819,266</u>
FRS Contribution as a Percentage of Covered Payroll	1.68%	1.65%	1.66%	1.26%	1.15%

**Notes:**

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

(2) - GASB requires information for 10 years, however; until a full 10 year trend is compiled, only the years that information was available have been presented.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**SCHEDULE OF CHANGES IN TOTAL OTHER POSTEMPLOYMENT BENEFITS**  
**(OPEB) AND RELATED RATIOS**

Measurement Year Ended June 30	<b>2017</b>
Reporting Year Ended June 30	<b>2018</b>
<b>Total OPEB Liability</b>	
Service Cost	\$ 1,143,416
Interest on the Total OPEB Liability	948,268
Changes of Benefit Terms	0
Difference Between Expected and Actual	
Experience of the Total OPEB Liability	0
Changes in Assumptions and Other Inputs	(2,340,268)
Benefit Payments	(1,735,284)
Net Change in Total OPEB Liability	<u>(1,983,868)</u>
<b>Total OPEB Liability - Beginning of Year</b>	<u>32,199,147</u>
<b>Total OPEB Liability - End of Year</b>	<u><u>\$ 30,215,279</u></u>
 <b>Estimated Covered-employee Payroll</b>	 114,416,406
 <b>Total OPEB Liability as a percentage of</b>	
<b>Covered-employee Payroll</b>	26.41%

**Notes:**

Covered-employee payroll presented above is an estimate based on data provided for the valuation, and needs to be the total payroll paid to all OPEB-eligible employees during the measurement year.

10 years of data will be displayed as information becomes available.



**LEON COUNTY DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

**Note 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.

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

*Changes of Assumptions.* The long-term expected rate of return was decreased from 7.6 percent to 7.1 percent, and the active member mortality assumption was updated.

**Note 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 increased from 2.85 percent to 3.58 percent.

**Note 4 - Schedule of Changes in Other Postemployment Benefits (OPEB) and Related Ratios**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

*Changes of Assumptions.* The discount rate used to determine the Total OPEB Liability was increased from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of the end of the measurement period.

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,  
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED  
STATES; THE PROVISIONS OF THE OFFICE OF MANAGEMENT  
AND BUDGET (OMB) UNIFORM GUIDANCE; AND *RULES OF THE  
AUDITOR GENERAL OF THE STATE OF FLORIDA***

**LEON COUNTY DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Expenditures</u>
<b>Clustered</b>				
<b>Child Nutrition Cluster:</b>				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	17002		\$ 2,648,470
National School Lunch Program	10.555	17001, 17003		8,790,175
Summer Food Service Program for Children	10.559	16006, 16007, 17006, 17007		220,399
<b>Total Child Nutrition Cluster</b>			<u>\$ 0</u>	<u>11,659,044</u>
<b>Student Financial Assistance Cluster:</b>				
United States Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A		31,680
Federal Pell Grant Program	84.063	N/A		1,830,448
<b>Total Student Financial Assistance Cluster</b>			<u>0</u>	<u>1,862,128</u>
<b>Special Education Cluster:</b>				
United States Department of Education:				
Special Education - Grants to States	84.027	262, 263	134,741	8,893,168
Special Education - Preschool Grants	84.173	266, 267	233,448	650,037
<b>Total Special Education Cluster</b>			<u>368,189</u>	<u>9,543,205</u>
<b>Not Clustered</b>				
<b>United States Department of Agriculture:</b>				
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A-3770		797,218
Florida Department of Agriculture and Consumer Services:				
Fresh Fruit and Vegetable Program	10.582	17004		143,728
<b>Total United States Department of Agriculture</b>			<u>0</u>	<u>940,946</u>

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2018**  
*(Continued)*

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Expenditures</u>
<b>Not Clustered (Concluded)</b>				
<b>United States Department of Defense:</b>				
Air Force Junior Reserve Officers Training Corps	12.UNK	N/A		\$ 71,071
Army Junior Reserve Officers Training Corps	12.UNK	N/A		68,515
Marine Junior Reserve Officers Training Corps	12.UNK	N/A		57,002
Navy Junior Reserve Officers Training Corps	12.UNK	N/A		6,953
<b>Total United States Department of Defense</b>			<u>\$ 0</u>	<u>203,541</u>
 <b>United States Department of Education:</b>				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191,193		362,790
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	373,963	7,528,310
Career and Technical Education - Basic Grants to States	84.048	161		522,542
Education for Homeless Children and Youth	84.196	127		54,659
Twenty-First Century Community Learning Centers	84.287	244	70,978	1,385,205
English Language Acquisition State Grants	84.365	102		90,637
Improving Teacher Quality State Grants	84.367	224		967,459
			<u>444,941</u>	<u>10,911,602</u>
Florida Department of Education:				
Student Support and Academic Enrichment	84.424	8C002		38,604
<b>Total United States Department of Education</b>			<u>0</u>	<u>10,950,206</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 813,130</u>	<u>\$ 35,159,070</u>

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2018**  
*(Concluded)*

**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, 2018. 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 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 \$872,393 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

**INDEPENDENT AUDITORS' 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***

Leon County District School Board and  
Superintendent  
Tallahassee, Florida

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, 2018, 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 15, 2019. Our report includes a reference to other auditors who audited the financial statements of 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs (Finding 2018-01) to be a material weakness.

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Leon County District School Board and  
Superintendent  
Tallahassee, Florida

**INDEPENDENT AUDITORS' 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*  
(Concluded)**

**Internal Control Over Financial Reporting (Concluded)**

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs (Finding 2018-02) to be a significant deficiency.

**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*.

We noted certain other matters that we reported to District's management in a separate letter dated March 15, 2019.

**District's Response to Findings**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

  
March 15, 2019  
Tallahassee, Florida

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

Leon County District School Board and  
Superintendent  
Tallahassee, Florida

**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, 2018. The District's major Federal programs are identified in the summary of auditors' results section 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, 2018.

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Leon County District School Board and  
Superintendent  
Tallahassee, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
(Concluded)**

**Report on Internal Control Over Compliance**

The 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.

*Purvis, Gray and Company, LLP*

March 15, 2019  
Tallahassee, Florida

**LEON COUNTY DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issues on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal Control over financial reporting:  
Material weakness(es) identified? Yes  
Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major Federal Programs:  
Material weakness(es) identified? No  
Significant deficiencies identified? None Reported

Type of auditors' 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:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.007, 84.063	Student Financial Assistance Cluster
84.367	Improving Teacher Quality

Dollar threshold used to distinguish between type A and type B programs: \$1,077,252

Auditee qualified as low risk auditee? No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

See Summary of Findings and Questioned Costs.

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

No matters are reported.

**SECTION IV - SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

There were no matters reported in the prior year schedule of findings and questioned costs.

**LEON COUNTY DISTRICT SCHOOL BOARD  
SUMMARY OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

**2018-01 Capital Assets**

**Criteria**—Detailed and accurate capital asset subsidiary records and Construction in Process (CIP) schedules should be maintained in order to support the balances reported in the Annual Financial Report. Capital asset additions to the subsidiary ledgers should be reconciled to capital outlay expenses in the accounting system. In addition, capital asset disposals should be reconciled to the Board approved disposal listing.

**Condition**—Over the past few years, the District has been in the process of migrating from capital asset subsidiary ledgers being maintained in excel spreadsheets to maintaining them in the Skyward accounting system. A combination of these two ledgers was used to prepare capital asset balances reported in the Annual Financial Report. During the course of our audit, we discovered many discrepancies between the two ledgers. These discrepancies include the following:

- Multiple assets with a combined cost of \$1.3m were entered into the Skyward system as negative amounts. These assets were not included in the subsidiary ledger maintained in excel.
- Multiple assets with positive differences totaling \$3.7m were noted between the Skyward system and the subsidiary ledger maintained in excel.
- Multiple assets in the Skyward system did not have an “in service date” or useful life assigned and, therefore, did not compute depreciation expense.

In addition to the differences noted above, we also determined that multiple assets maintained within the Skyward accounting system and listed as active assets had been previously approved for disposal by the Board and removed from regular use. We further found that an undetermined number of undisposed, active asset records which were still well within their original useful lives had been altered within the system to no longer apply depreciation to the asset.

We also discovered material errors in the CIP schedules that were being maintained and were ultimately reported in the Annual Financial Report. During our testing of capital projects, we discovered the following:

- 9 Projects with a cost of \$1.8m that were omitted from the CIP schedules.
- 11 Projects totaling \$9.4m were erroneously included in the CIP schedules and needed to be removed.
- Project reports maintained in Skyward were not reconciled to CIP schedules used for reporting in the Annual Financial Report and capital outlay expenses in the capital projects funds were not properly reconciled to CIP additions.

**Cause**—Controls over the reconciliation of capital asset subsidiary ledgers to the accounting records were not functioning properly. The District’s Director of Financial Services resigned during the process of reconciling the capital asset subsidiary ledgers to the accounting records. This left other District personnel with the responsibility of reconciling who were not as familiar with the reports and functions that needed to be performed.

**LEON COUNTY DISTRICT SCHOOL BOARD  
SUMMARY OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018  
(Concluded)**

**2018-01 Capital Assets (Concluded)**

*Effect*—Material misstatements can result when subsidiary records are not properly maintained. Without proper reconciliation procedures, capital asset additions and deletions could be missed.

*Recommendation*—We recommend that controls be implemented to ensure that capital asset subsidiary ledgers are maintained accurately and are fully migrated away from excel spreadsheets. Capital asset additions should be reconciled to capital outlay expenditures on a quarterly basis, and any differences should be explained, or entries posted to reclassify expenses to non-capital outlay expense accounts. All construction projects should be identified and updated into the CIP schedules on a monthly basis in coordination with the Construction and Facilities Management department as to when projects are started and completed. Subsidiary ledgers should be reviewed and updated on quarterly basis to ensure that all depreciable assets are properly depreciating.

**2018-2 Bank Reconciliations**

*Criteria*—Effective internal controls require that bank reconciliations be performed on a timely and routine basis and be reviewed by supervisory personnel. Bank reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts and detect and correct unrecorded and improperly recorded cash transactions or bank errors.

*Condition*—As of June 30, 2018, the District had 46 bank and investment accounts which are routinely reconciled; however, three accounts had unreconciled differences that have been carried forward for several years. We also noted that bank reconciliations are not currently reviewed by anyone other than the individual who prepared them.

*Cause*—The District has not implemented adequate controls over the bank reconciliation process.

*Effect*—Lack of proper reconciliation of all bank accounts and ineffective review could lead to unrecorded or improperly recorded transactions or undetected errors.

*Recommendation*—We recommend that bank reconciliations be prepared for all District accounts and that any unreconciled differences be resolved in a timely manner. We also recommend that supervisory personnel review and approve all bank reconciliations for accuracy and completeness.

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE  
WITH FLORIDA STATUTES, SECTION 218.415 – INVESTMENTS OF PUBLIC FUNDS**

Leon County District School Board and  
Superintendent  
Tallahassee, Florida

We have examined the Leon County District School Board's (the District) compliance with the Section 218.415, Florida Statutes, during the fiscal year ended June 30, 2018. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements during the fiscal year ended June 30, 2018.

This report is intended solely for the information and use of the Leon County District School Board, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Purvis, Gray and Company, LLP*

March 15, 2019  
Tallahassee, Florida

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## MANAGEMENT LETTER

Leon County District School Board and  
Superintendent  
Tallahassee, Florida

### Report on the Financial Statements

We have audited the financial statements of the Leon County District School Board (the District), as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated March 15, 2019. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include matters related to these separate audits.

### Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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); and Chapter 10.800, *Rules of the Auditor General*.

### Other Reporting Requirements

We have issued our Independent Auditors' 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*, Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance, Schedule of Findings and Questioned Costs, and our Independent Accountants' Report on Compliance with Section 218.415, Florida Statutes. Disclosures in those reports and schedule, which are dated March 15, 2019, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.804(1)(f)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

### Financial Condition and Management

Section 10.804(1)(f)2., *Rules of the Auditor General*, requires us to communicate whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

#### Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS  
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Leon County District School Board and  
Superintendent  
Tallahassee Florida

**MANAGEMENT LETTER**  
*(Continued)*

**Financial Condition and Management (Concluded)**

Pursuant to Sections 10.804(1)(f)5.a. and 10.805(7), *Rules of the Auditor General*, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representatives made by management and the review of financial information provided by same.

Section 10.804(1)(f)3., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we offer the following recommendations:

**2018-3 - Financial Close and Reporting**

An established and properly functioning financial close and reporting process is considered pivotal within the internal control system of an organization. These processes ensure accurate and timely reporting of financial information. The system, among other things, should include processes to reconcile balance sheet accounts to underlying detailed records.

As a result of recent turnover experienced in the District's finance department, the financial close and reporting process was delayed. It became apparent that a heightened focus on cross-training of employees in key financial close and reporting functions would greatly benefit the District. We further recommend that written procedures be developed for the financial statement close and reporting process and, whenever possible, no significant reporting functions should be the sole responsibility of one employee within the District. This will ensure a consistent base of adequate institutional knowledge necessary to meet state and local reporting requirements on a timely basis.

**2018-4 - Journal Entries**

The District does not currently have a formal approval process for non-standard journal entries. The only journal entries that are approved are those that originate outside of the Finance department. For journal entries that are initiated by the Finance department, they rely on an informal process whereby different members of the Finance department can review each other's entries; however, this review is not documented. There is no actual approval, documented or otherwise, for entries that are made by the Finance department. We recommend the District develop a formal process for the approval of non-standard journal entries into the accounting system.

**Transparency**

Section 10.804(1)(f)6., *Rules of the Auditor General*, requires that we communicate the results of our determination as to whether the District maintains on its Web site the information specified in Section 1011.035, Florida Statutes, (Section 1011.035, Florida Statutes, provides that district school boards shall prominently post on their Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public). In connection with our audit, we determined that the District maintained on its Web site the information specified in Section 1011.035, *Florida Statutes*.

Leon County District School Board and  
Superintendent  
Tallahassee Florida

**MANAGEMENT LETTER**  
*(Concluded)*

**Additional Matters**

Section 10.804(1)(f)4., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that has occurred, or is likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

**Purpose of this Letter**

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

*Purvis, Gray and Company, LLP*

March 15, 2019  
Tallahassee, Florida



BOARD CHAIR  
Rosanne Wood

BOARD VICE CHAIR  
DeeDee Rasmussen



BOARD MEMBERS  
Georgia "Joy" Bowen  
Darryl Jones  
Alva Swafford Striplin

SUPERINTENDENT  
Rocky Hanna

March 15, 2019

The Honorable Leon County School Board  
2757 West Pensacola Street  
Tallahassee, FL 32304

Dear School Board Members:

The Leon County School Board's external audit firm, Purvis Gray & Company, has concluded the audit of the District Financial Statements for the fiscal year ending June 30, 2018.

We were delighted to receive an unmodified opinion on the District's 2017-2018 financial statements. An unmodified opinion indicates that after completion of all audit testing, the auditor's concluded that the 2017-2018 financial statements for Leon County School District are presented fairly, in all material respects, in accordance with generally accepted accounting principles. This is the highest level of assurance that provided by a certified public accounting (CPA) firm.

The detailed audit comments and recommendations are included on pages 77-82 of the Issued Financial Statements and Independent Auditors' Report for fiscal year ending June 30, 2018. The information below details the District's management responses and/or corrective actions to address each of the audit comments. Please note that appropriate corrective actions have been fully implemented or are currently underway for each of the comments included in the audit report.

#### 2018-01 - Capital Assets

The LCS Finance Department has implemented cross-training efforts to help ensure accuracy and continuity of Capital Assets information. Written procedures governing this process have been developed and implemented. Meetings with critical stakeholders in LCS Property Management,

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[www.leonschools.net](http://www.leonschools.net)

*"The Leon County School District does not discriminate against any person on the basis of sex (including transgender status, gender nonconforming, and gender identity), marital status, sexual orientation, race, religion, ethnicity, national origin, age, color, pregnancy, disability, or genetic information."*

**Building the Future Together**

Construction and Facilities Departments are held to address concerns, reconcile discrepancies and help ensure accuracy of Districtwide capital asset information.

#### 2018-02 Bank Reconciliations

The LCS Finance Department has implemented and documented a procedure that requires timely and routine reconciliation of all district accounts. The procedure requires the review and initialing of all bank reconciliations by someone other than the employee completing the reconciliation.

#### 2018-03 Financial Close and Reporting

The LCS Finance Department is currently working to implement a fully automated system for year-end financial statement preparation, financial reporting, and document management. This system will help to minimize manual errors and decrease the timeframe required to complete close out activities. Cross-training and process documentation efforts are ongoing. Finance Department staff intends to utilize the automated system for 2018-2019 fiscal year close.

#### 2018-04 Journal Entries

The LCS Finance Department is developing written procedures to formalize the review and approval process for non-standard journal entries. The Finance Department will enhance the currently utilized informal review process to require review and initials of an employee other than the employee completing the journal entry, for all non-standard journal entries.

One of our primary objectives is to continually improve operations so that we can more effectively and efficiently serve the students of Leon County. We have reviewed the comments and recommendations provided and will use them to help improve District processes. We welcome this opportunity to share with the Leon County School Board the corrective actions that have been implemented.

Respectfully Submitted,



Rocky Hanna  
Superintendent of School

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**Building the Future Together**