

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

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

**JUNE 30, 2019**

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

**JUNE 30, 2019**

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**LEON COUNTY  
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**JUNE 30, 2019**

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## INDEPENDENT AUDITOR'S 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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the 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

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461  
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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 AUDITOR'S REPORT

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, business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the District as of June 30, 2019, 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.

### 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 the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The 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 AUDITOR'S REPORT

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2020, 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.

*Purvis, Gray and Company, LLP*

January 13, 2020  
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, 2019. 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 2018-19 fiscal year are as follows:

- Total Net Position is \$185.8 million, which represents a 7.7 percent increase from the 2017-18 fiscal year, including the impact of the prior period adjustment.
- General revenues total \$348.7 million or 92.9 percent of all revenues (total revenues equal \$375.4 million). Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$26.7 million or 7.11 percent of all revenues.
- Expenses total \$362.6 million. Program revenues equal to \$26.7 million are applied towards these expenses, with the remainder paid out of general revenues. Total revenues exceed total expenses by \$12.8 million.
- The total combined assigned and unassigned fund balance of the General Fund, representing the net fund balance, totals \$41.3 million as of June 30, 2019, or 15% percent of total General Fund revenues (total General Fund revenues equal \$274 million). The unassigned fund balance totals \$29.9 million. This amount is 11% percent of total General Fund revenues.
- The District's capital assets of \$423.9 million (net of accumulated depreciation) increased by \$20.1 million. 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

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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

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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

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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 non-major 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, 2019, compared to net position as of June 30, 2018:

	Net Position, End of Year					
	Governmental Activities		Business-Type Activities		Total	
	6-30-19	6-30-18	6-30-19	6-30-18	6-30-19	6-30-18
Current Assets	\$ 140,951,656	\$ 156,343,781	\$ 15,805	\$ 38,828	\$ 140,967,461	\$ 156,382,609
Capital Assets, Net of Depreciation	423,956,235	402,988,988	-	-	423,956,235	402,988,988
<b>Total Assets</b>	<b>564,907,891</b>	<b>559,332,769</b>	<b>15,805</b>	<b>38,828</b>	<b>564,923,696</b>	<b>559,371,597</b>
Deferred Outflow of Resources	73,371,034	74,666,600	-	-	73,371,034	74,666,600
Long-Term Liabilities	406,967,183	422,469,823	-	-	406,967,183	422,469,823
Other Liabilities	18,327,610	18,436,531	184	181	18,327,794	18,436,712
<b>Total Liabilities</b>	<b>425,294,793</b>	<b>440,906,354</b>	<b>184</b>	<b>181</b>	<b>425,294,977</b>	<b>440,906,535</b>
Deferred Inflow of Resources	27,222,528	20,753,140	-	-	27,222,528	20,753,140
Net Position:						
Net Investment in Capital Assets	256,072,703	221,247,631	-	-	256,072,703	221,247,631
Restricted	79,511,823	96,252,389	-	-	79,511,823	96,252,389
Unrestricted (Deficit)	(149,822,922)	(145,160,145)	15,621	38,647	(149,807,301)	(145,121,498)
<b>Total Net Position</b>	<b>\$ 185,761,604</b>	<b>\$ 172,339,875</b>	<b>\$ 15,621</b>	<b>\$ 38,647</b>	<b>\$ 185,777,225</b>	<b>\$ 172,378,522</b>

\*The June 30, 2018, 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

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

Governmental activities increased the District's net position by \$12.8 million during the 2018-19 fiscal year, detailed as follows:

	Operating Results for the Fiscal Year Ended					
	Governmental Activities		Business-Type Activities		Total	
	6-30-19	6-30-18	6-30-19	6-30-18	6-30-19	6-30-18
<b>Program Revenues:</b>						
Charges for Services	\$ 9,415,425	\$ 8,370,076	\$ -	\$ -	\$ 9,415,425	\$ 8,370,076
Operating Grants and Contributions	13,023,355	13,089,020	-	-	13,023,355	13,089,020
Capital Grants and Contributions	4,242,867	2,368,722	-	-	4,242,867	2,368,722
<b>General Revenues:</b>						
Property Taxes Levied for Operational Purposes	84,052,737	82,759,201	-	-	84,052,737	82,759,201
Property Taxes Levied for Capital Projects	26,021,120	24,465,927	-	-	26,021,120	24,465,927
Local Sales Tax	23,103,478	22,046,058	-	-	23,103,478	22,046,058
Grants and Contributions Not Restricted to Specific Programs	205,961,659	200,008,504	-	-	205,961,659	200,008,504
Unrestricted Investment Earnings	3,324,806	1,804,902	401	78	3,325,207	1,804,980
Miscellaneous	6,281,729	4,902,923	-	-	6,281,729	4,902,923
<b>Total Revenues</b>	<b>375,427,176</b>	<b>359,815,333</b>	<b>401</b>	<b>78</b>	<b>375,427,577</b>	<b>359,815,411</b>
<b>Functions/Program Expenses:</b>						
Instruction	181,897,484	173,080,446	-	-	181,897,484	173,080,446
Student Personnel Services	11,629,757	10,195,081	-	-	11,629,757	10,195,081
Instructional Media Services	3,685,199	3,852,633	-	-	3,685,199	3,852,633
Instruction and Curriculum Development	12,776,453	12,456,176	-	-	12,776,453	12,456,176
Instructional Staff Training Services	1,616,884	1,463,436	-	-	1,616,884	1,463,436
Instruction Related Technology	3,357,246	3,342,428	-	-	3,357,246	3,342,428
Board of Education	1,580,794	1,045,416	-	-	1,580,794	1,045,416
General Administration	2,578,343	1,918,770	-	-	2,578,343	1,918,770
School Administration	23,403,047	21,283,650	-	-	23,403,047	21,283,650
Facility Acquisition and Construction	9,693,163	10,060,275	-	-	9,693,163	10,060,275
Fiscal Services	2,708,775	2,425,731	-	-	2,708,775	2,425,731
Food Services	14,908,779	15,158,781	-	-	14,908,779	15,158,781
Central Services	7,861,437	7,021,523	-	-	7,861,437	7,021,523
Student Transportation Services	14,939,729	14,835,439	-	-	14,939,729	14,835,439
Operation of Plant	19,989,330	18,828,580	-	-	19,989,330	18,828,580
Maintenance of Plant	10,379,032	9,956,147	-	-	10,379,032	9,956,147
Administrative Technology Services	5,165,483	5,365,522	-	-	5,165,483	5,365,522
Community Services	8,029,378	7,396,215	-	-	8,029,378	7,396,215
Unallocated Interest on Long-Term Debt	5,804,772	6,596,578	-	-	5,804,772	6,596,578
Unallocated Depreciation Expenses	19,702,490	19,213,434	-	-	19,702,490	19,213,434
Loss on Disposal of Capital Assets	884,647	414,845	-	-	884,647	414,845
District Permitting Office	-	-	23,427	29,199	23,427	29,199
<b>Total Functions/Program Expenses</b>	<b>362,592,222</b>	<b>345,911,106</b>	<b>23,427</b>	<b>29,199</b>	<b>362,615,649</b>	<b>345,940,305</b>
<b>Increase (Decrease) in Net Position</b>	<b>12,834,954</b>	<b>13,904,227</b>	<b>(23,026)</b>	<b>(29,121)</b>	<b>12,811,928</b>	<b>13,875,106</b>
<b>Net Position - Beginning</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>
Adjustment to Restate Beginning Net Position (See Note 11)	586,775	(13,024,767)	-	-	586,775	(13,024,767)
<b>Net Position - Beginning - Restated</b>	<b>172,926,650</b>	<b>158,435,648</b>	<b>38,647</b>	<b>67,768</b>	<b>172,965,297</b>	<b>158,503,416</b>
<b>Net Position - Ending</b>	<b>\$ 185,761,604</b>	<b>\$ 172,339,875</b>	<b>\$ 15,621</b>	<b>\$ 38,647</b>	<b>\$ 185,777,225</b>	<b>\$ 172,378,522</b>

\* The June 30, 2018, balances have not been restated above for the impact of the prior period adjustments.

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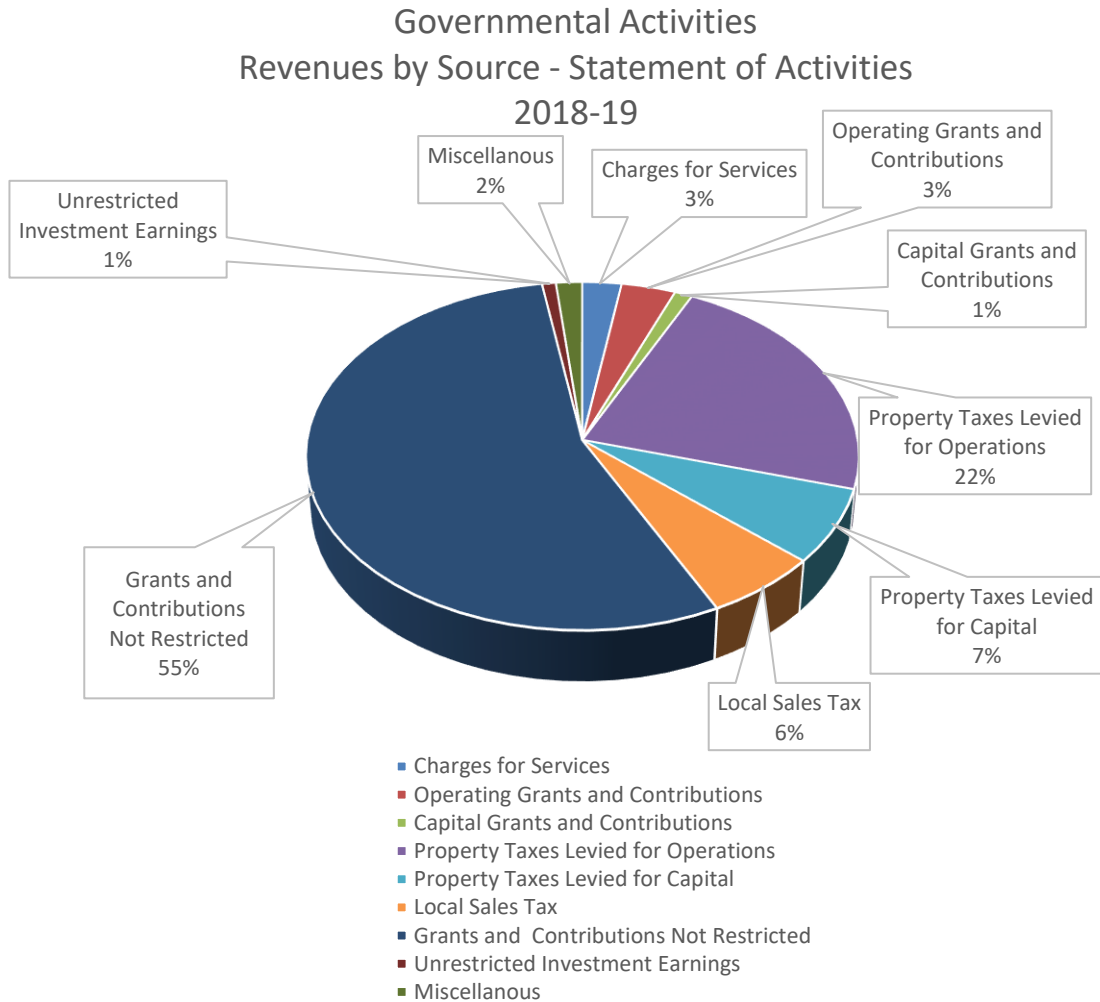
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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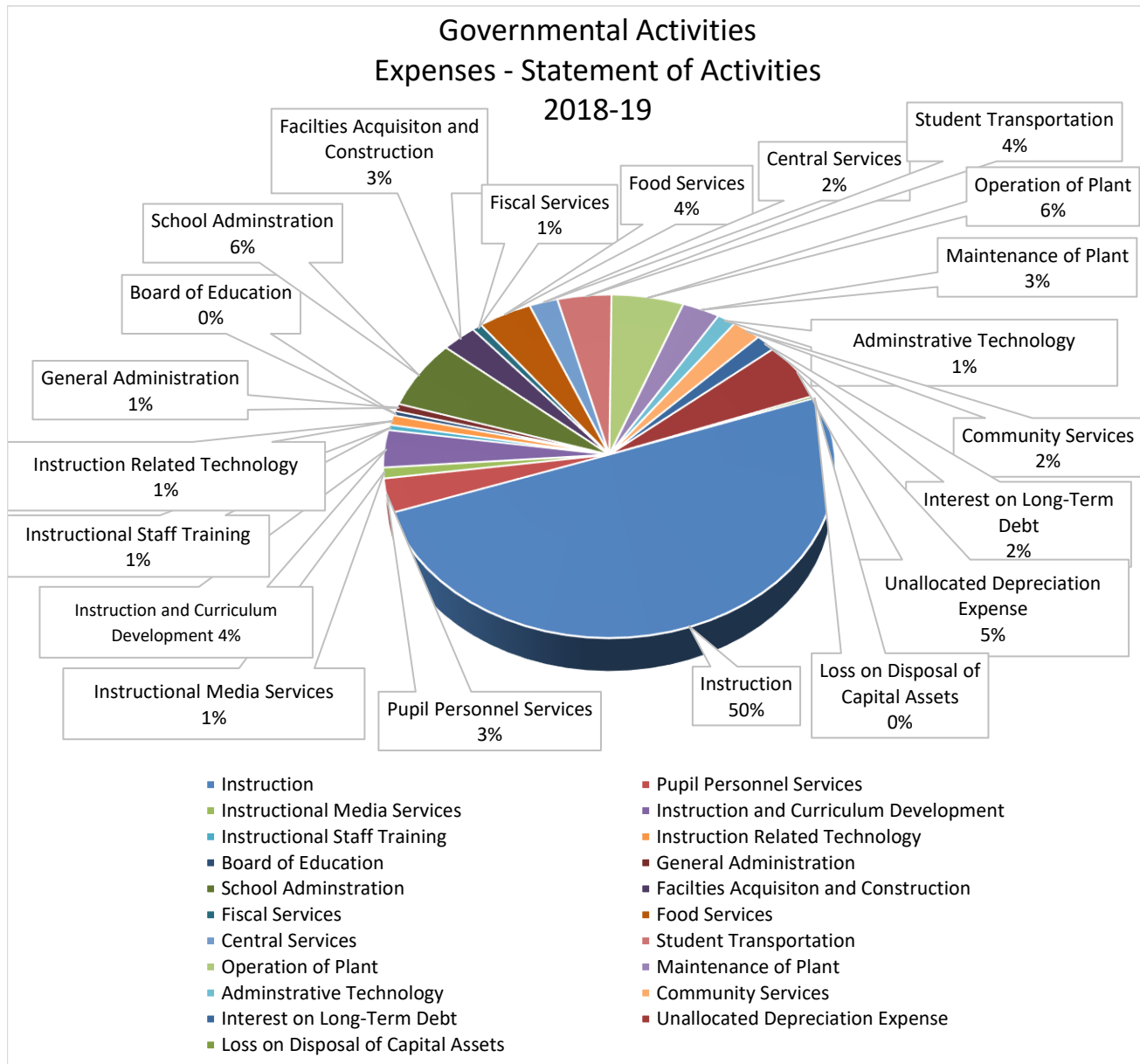
The following chart depicts the distribution of revenues of the District as a whole for the 2018-19 fiscal year:



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

- Grants and contributions not restricted to specific programs increased approximately \$5.9 million primarily because of increased funding for the State's Florida Education Finance Program.
- Overall expenses increased by \$16.7 million.
- Instructional expense increased by approximately \$8.8 million, primarily due to salary and benefits increases.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



**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 \$29.9 million while the total fund balance is \$50 million. The total fund balance decreased by \$781 thousand during the 2018-19 fiscal year. The decrease in fund balance is primarily a function of salary increases provided to instructional personnel during the year. Revenues and transfers were less than expenditures and transfers out by \$781 thousand in FY 2019, compared to revenues and transfers exceeding expenditures by \$10.6 million in FY 2018.

**Debt Service Fund - Other Debt Service:** This fund has revenues totaling \$2.4 million, of which \$1.8 million is receipts for payments from the IRS on Federal Stimulus bonds. The total fund balance is \$18.4 million.

**Capital Projects - Other Capital Projects Fund:** This fund has a total fund balance of \$23.3 million. These funds are restricted for the acquisition, construction, and maintenance of capital assets.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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 \$29.9 million is 11 percent of General Fund Revenues (\$274.3 million). The unassigned and the assigned ending fund balance (\$41.4 million) is 15% of General Fund revenues. The District exceeded the minimum 3 percent (\$8.3 million) by \$33.1 million with the combined unassigned and assigned fund balance, and it exceeded the minimum 3 percent by (21.6 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, 2019, amounts to \$424.9 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:

- Land was sold, which represented a change totaling approximately \$379 thousand.
- Several renovations and additions to schools and re-roofing projects were ongoing during the year totaling approximately \$21 million.
- Disposal of portable buildings, equipment, and vehicles totaled approximately \$5.5 million.
- Depreciation expense totaled \$19.7 million.

**Capital Assets (Net of Depreciation)**

	<b>Governmental Activities</b>	
	<b>6/30/2019</b>	<b>6/30/2018</b>
Land	\$ 17,544,678	\$ 17,923,929
Construction in Progress	38,456,795	16,157,943
Improvements Other Than Buildings	16,097,463	13,487,144
Buildings and Fixed Equipment	329,387,247	333,469,627
Furniture, Fixtures, and Equipment	10,008,492	9,325,915
Motor Vehicles	8,734,641	9,664,134
Audio Visual and Computer Software	3,726,919	2,960,296
<b>Total Capital Assets</b>	<b>\$ 423,956,235</b>	<b>\$ 402,988,988</b>

\* The June 30, 2018, balances have not been restated for the impact of the prior period adjustment described in Note 11.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2019, the District has \$167.9 million total capital asset-related debt outstanding. This amount is comprised of \$102.2 million of certificates of participation payable, \$61.0 million of bonds payable, and a \$4.7 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 \$30.4 million, net pension liability \$173.4 million, and estimated insurance claims totaling \$4.9 million. The total debt outstanding is \$407 million.

**Schedule of Outstanding Capital Asset Related Debt**

	<b>Governmental Activities</b>	
	<b>6/30/2019</b>	<b>6/30/2018</b>
Lease Purchase Agreement	\$ 4,668,439	\$ 5,547,065
State Schools/Sales Tax Bonds	61,020,853	66,760,653
Certificates of Participation	102,194,240	108,891,240
<b>Total Long-Term Debt</b>	<b>\$ 167,883,532</b>	<b>\$ 181,198,958</b>

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, 2019**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 89,356,518	\$ 15,805	\$ 89,372,323	\$ 2,739,726
Investments	700,065	-	700,065	-
Accounts Receivable	712,732	-	712,732	156,401
Due from Other Agencies	11,787,565	-	11,787,565	427,534
Internal Balances	473,615	-	473,615	-
Prepaid Items	14,494	-	14,494	28,845
Inventories	1,743,297	-	1,743,297	-
Restricted Assets:				
Cash and Cash Equivalents	32,868,629	-	32,868,629	270,414
Investments	3,294,741	-	3,294,741	-
Capital Assets:				
Non-Depreciable Capital Assets	56,001,473	-	56,001,473	590,436
Depreciable Capital Assets, Net	367,954,762	-	367,954,762	16,590,652
<b>Total Assets</b>	<b>564,907,891</b>	<b>15,805</b>	<b>564,923,696</b>	<b>20,804,008</b>
<b>Deferred Outflows of Resources</b>				
Pensions	71,664,403	-	71,664,403	2,535,857
Other Postemployment Benefits	1,706,631	-	1,706,631	-
<b>Total Deferred Outflows of Resources</b>	<b>73,371,034</b>	<b>-</b>	<b>73,371,034</b>	<b>2,535,857</b>
<b>Liabilities</b>				
Accrued Salaries and Benefits	10,051,921	-	10,051,921	139,292
Payroll Deductions and Withholdings	1,382,525	-	1,382,525	-
Accounts Payable	6,592,327	184	6,592,511	340,287
Due to Other Agencies	11,575	-	11,575	814,375
Matured Interest Payable	3,000	-	3,000	-
Deposits Payable	286,262	-	286,262	-
Unearned Revenues	-	-	-	29,604
Long-Term Liabilities:				
Portion Due Within One Year	20,042,329	-	20,042,329	422,444
Portion Due After One Year	386,924,854	-	386,924,854	20,749,984
<b>Total Liabilities</b>	<b>425,294,793</b>	<b>184</b>	<b>425,294,977</b>	<b>22,495,986</b>
<b>Deferred Inflows of Resources</b>				
Pensions	25,241,292	-	25,241,292	402,187
Other Postemployment Benefits	1,981,236	-	1,981,236	-
<b>Total Deferred Inflows of Resources</b>	<b>27,222,528</b>	<b>-</b>	<b>27,222,528</b>	<b>402,187</b>
<b>Net Position</b>				
Net Investment in Capital Assets	256,072,703	-	256,072,703	3,452
Restricted for:				
State Required Carryover Programs	7,341,304	-	7,341,304	-
Debt Service	35,621,572	-	35,621,572	-
Capital Projects	34,637,077	-	34,637,077	-
Food Service	1,911,870	-	1,911,870	-
Other Purposes	-	-	-	112,553
Unrestricted	(149,822,922)	15,621	(149,807,301)	325,687
<b>Total Net Position</b>	<b>\$ 185,761,604</b>	<b>\$ 15,621</b>	<b>\$ 185,777,225</b>	<b>\$ 441,692</b>

See accompanying notes.

**LEON COUNTY DISTRICT SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

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	\$ 181,897,484	\$ 7,987,877	\$ -	\$ -	\$ (173,909,607)	\$ -	\$ (173,909,607)	\$ -
Student Support Services	11,629,757	-	-	-	(11,629,757)	-	(11,629,757)	-
Instructional Media Services	3,685,199	-	-	-	(3,685,199)	-	(3,685,199)	-
Instruction and Curriculum Development Services	12,776,453	-	-	-	(12,776,453)	-	(12,776,453)	-
Instructional Staff Training Services	1,616,884	-	-	-	(1,616,884)	-	(1,616,884)	-
Instruction-Related Technology	3,357,246	-	-	-	(3,357,246)	-	(3,357,246)	-
Board	1,580,794	-	-	-	(1,580,794)	-	(1,580,794)	-
General Administration	2,578,343	-	-	-	(2,578,343)	-	(2,578,343)	-
School Administration	23,403,047	-	-	-	(23,403,047)	-	(23,403,047)	-
Facilities Acquisition and Construction	9,693,163	-	-	4,000,946	(5,692,217)	-	(5,692,217)	-
Fiscal Services	2,708,775	-	-	-	(2,708,775)	-	(2,708,775)	-
Food Services	14,908,779	1,427,548	13,023,355	-	(457,876)	-	(457,876)	-
Central Services	7,861,437	-	-	-	(7,861,437)	-	(7,861,437)	-
Student Transportation Services	14,939,729	-	-	-	(14,939,729)	-	(14,939,729)	-
Operation of Plant	19,989,330	-	-	-	(19,989,330)	-	(19,989,330)	-
Maintenance of Plant	10,379,032	-	-	-	(10,379,032)	-	(10,379,032)	-
Administrative Technology Services	5,165,483	-	-	-	(5,165,483)	-	(5,165,483)	-
Community Services	8,029,378	-	-	-	(8,029,378)	-	(8,029,378)	-
Unallocated Interest on Long-Term Debt	5,804,772	-	-	241,921	(5,562,851)	-	(5,562,851)	-
Unallocated Depreciation/Amortization Expense	19,702,490	-	-	-	(19,702,490)	-	(19,702,490)	-
Loss on Disposal of Capital Assets	884,647	-	-	-	(884,647)	-	(884,647)	-
<b>Total Governmental Activities</b>	<b>362,592,222</b>	<b>9,415,425</b>	<b>13,023,355</b>	<b>4,242,867</b>	<b>(335,910,575)</b>	<b>-</b>	<b>(335,910,575)</b>	<b>-</b>
<b>Business-Type Activities</b>								
District Permitting Office	23,427	-	-	-	-	(23,427)	(23,427)	-
<b>Total Primary Government</b>	<b>362,615,649</b>	<b>9,415,425</b>	<b>13,023,355</b>	<b>4,242,867</b>	<b>(335,910,575)</b>	<b>(23,427)</b>	<b>(335,934,002)</b>	<b>-</b>
<b>Component Units</b>								
Charter Schools/Education Foundation	\$ 16,169,321	\$ 620,862	\$ 1,313,437	857,811	-	-	-	(13,377,211)
<b>General Revenues</b>								
Taxes:								
Property Taxes, Levied for Operational Purposes					84,052,737	-	84,052,737	11,302,792
Property Taxes, Levied for Capital Projects					26,021,120	-	26,021,120	-
Local Sales Taxes					23,103,478	-	23,103,478	-
Grants and Contributions Not Restricted to Specific Programs					205,961,659	-	205,961,659	1,777,677
Unrestricted Investment Earnings					3,324,806	401	3,325,207	88,666
Miscellaneous					6,281,729	-	6,281,729	159,473
<b>Total General Revenues</b>					<b>348,745,529</b>	<b>401</b>	<b>348,745,930</b>	<b>13,328,608</b>
<b>Change in Net Position</b>					<b>12,834,954</b>	<b>(23,026)</b>	<b>12,811,928</b>	<b>(48,603)</b>
Net Position - Beginning					172,339,875	38,647	172,378,522	490,295
Adjustment to Beginning Net Position					586,775	-	586,775	-
Net Position - Beginning, as Restated					172,926,650	38,647	172,965,297	490,295
<b>Net Position - Ending</b>					<b>\$ 185,761,604</b>	<b>\$ 15,621</b>	<b>\$ 185,777,225</b>	<b>\$ 441,692</b>

See accompanying notes.

**LEON COUNTY DISTRICT SCHOOL BOARD  
BALANCE SHEET  
ALL GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	General Fund	Debt Service Other Debt Service	Capital Projects Other Capital Projects	Non-Major Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and Cash Equivalents	\$ 59,601,123	\$ -	\$ 20,295,578	\$ 9,459,817	\$ 89,356,518
Investments	680,280	-	-	19,785	700,065
Accounts Receivable	676,434	-	-	36,298	712,732
Due from Other Funds	470,393	-	-	230,240	700,633
Due from Other Agencies	120,192	-	5,295,515	6,371,858	11,787,565
Prepaid Items	14,494	-	-	-	14,494
Inventories	1,251,902	-	-	491,395	1,743,297
Restricted Assets:					
Cash and Cash Equivalents	100,000	15,120,443	252	17,647,934	32,868,629
Investments	-	3,294,741	-	-	3,294,741
<b>Total Assets</b>	<b>62,914,818</b>	<b>18,415,184</b>	<b>25,591,345</b>	<b>34,257,327</b>	<b>141,178,674</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accrued Salaries and Benefits	8,869,376	-	-	1,182,545	10,051,921
Payroll Deductions and Withholdings	1,212,201	-	-	170,324	1,382,525
Accounts Payable	2,644,091	-	3,058,846	889,390	6,592,327
Due to Other Funds	227,018	-	-	-	227,018
Due to Other Agencies	-	-	-	11,575	11,575
Matured Interest Payable	-	-	-	3,000	3,000
Deposits Payable	-	-	-	286,262	286,262
<b>Total Liabilities</b>	<b>12,952,686</b>	<b>-</b>	<b>3,058,846</b>	<b>2,543,096</b>	<b>18,554,628</b>
<b>Fund Balances</b>					
Non-Spendable for Inventories and Prepaids	1,266,396	-	-	491,395	1,757,791
Restricted for:					
State Required Carryover Programs	7,341,304	-	-	-	7,341,304
Debt Service	-	18,415,184	-	17,206,388	35,621,572
Capital Projects	-	-	22,532,499	12,104,578	34,637,077
Food Service	-	-	-	1,911,870	1,911,870
Total Restricted Fund Balance	7,341,304	18,415,184	22,532,499	31,222,836	79,511,823
Assigned to:					
Purchases on Order	611,112	-	-	-	611,112
Specific Projects	10,851,057	-	-	-	10,851,057
Total Assigned Fund Balance	11,462,169	-	-	-	11,462,169
Unassigned Fund Balance	29,892,263	-	-	-	29,892,263
<b>Total Fund Balances</b>	<b>49,962,132</b>	<b>18,415,184</b>	<b>22,532,499</b>	<b>31,714,231</b>	<b>122,624,046</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 62,914,818</b>	<b>\$ 18,415,184</b>	<b>\$ 25,591,345</b>	<b>\$ 34,257,327</b>	<b>\$ 141,178,674</b>

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, 2019**

**Total Fund Balances - Governmental Funds** \$ 122,624,046

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. 423,956,235

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

Estimated Insurance Claims Payable	\$	(4,854,033)	
Lease Purchase Payable		(4,668,439)	
Bonds Payable		(61,020,853)	
Certificates of Participation Payable		(102,194,240)	
Compensated Absences Payable		(30,395,504)	
Net Pension Liability		(173,416,117)	
Other Postemployment Benefits Payable		<u>(30,417,997)</u>	(406,967,183)

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		71,664,403	
Deferred Inflows Related to Pensions		(25,241,292)	
Deferred Outflows Related to OPEB		1,706,631	
Deferred Inflows Related to OPEB		<u>(1,981,236)</u>	<u>46,148,506</u>

**Net Position - Governmental Activities** \$ 185,761,604

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, 2019**

	General Fund	Debt Service - Other Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Intergovernmental:					
Federal Direct	\$ 265,612	\$ 1,769,330	\$ -	\$ 2,996,248	\$ 5,031,190
Federal Through State and Local	50,361	-	-	37,774,255	37,824,616
State	175,683,175	-	1,210,065	3,405,792	180,299,032
Total Intergovernmental Revenue	175,999,148	1,769,330	1,210,065	44,176,295	223,154,838
Local:					
Property Taxes	84,052,737	-	-	26,021,117	110,073,854
Local Sales Taxes	-	-	23,103,478	-	23,103,478
Charges for Services - Food Services	-	-	-	1,427,548	1,427,548
Miscellaneous	14,264,267	610,163	1,939,701	853,327	17,667,458
Total Local Revenues	98,317,004	610,163	25,043,179	28,301,992	152,272,338
<b>Total Revenues</b>	<b>274,316,152</b>	<b>2,379,493</b>	<b>26,253,244</b>	<b>72,478,287</b>	<b>375,427,176</b>
<b>Expenditures</b>					
Current - Education:					
Instruction	164,304,293	-	-	14,269,540	178,573,833
Student Support Services	10,427,891	-	-	983,992	11,411,883
Instructional Media Services	3,632,816	-	-	(23,109)	3,609,707
Instruction and Curriculum Development Services	6,375,415	-	-	6,134,024	12,509,439
Instructional Staff Training Services	585,119	-	-	1,019,674	1,604,793
Instruction-Related Technology	3,165,343	-	-	136,727	3,302,070
Board	1,567,728	-	-	500	1,568,228
General Administration	1,123,996	-	-	1,435,756	2,559,752
School Administration	22,898,977	-	-	-	22,898,977
Facilities Acquisition and Construction	1,031,221	-	-	-	1,031,221
Fiscal Services	2,657,234	-	-	-	2,657,234
Food Services	-	-	-	14,738,779	14,738,779
Central Services	7,010,644	-	-	708,633	7,719,277
Student Transportation Services	14,504,460	-	-	182,452	14,686,912
Operation of Plant	19,822,099	-	-	2,317	19,824,416
Maintenance of Plant	10,200,590	-	-	6,649	10,207,239
Administrative Technology Services	5,079,212	-	-	-	5,079,212
Community Services	5,833,085	-	-	2,154,132	7,987,217

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, 2019**

	<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</b>					
Fixed Capital Outlay:					
Facilities Acquisition and Construction	\$ 353,041	\$ -	\$ 35,323,120	\$ 12,214,200	\$ 47,890,361
Other Capital Outlay	1,340,516	-	-	389,116	1,729,632
Debt Service:					
Principal	-	7,575,626	-	4,915,000	12,490,626
Interest and Fiscal Charges	-	2,955,270	-	3,592,302	6,547,572
<b>Total Expenditures</b>	<u>281,913,680</u>	<u>10,530,896</u>	<u>35,323,120</u>	<u>62,860,684</u>	<u>390,628,380</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(7,597,528)</u>	<u>(8,151,403)</u>	<u>(9,069,876)</u>	<u>9,617,603</u>	<u>(15,201,204)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from Bond Refunding	-	-	-	613,000	613,000
Payments to Refunded Bond Escrow Agent	-	-	-	(695,000)	(695,000)
Transfer in	7,043,932	10,489,569	-	8,777,685	26,311,186
Transfer (out)	(227,018)	-	(7,514,570)	(18,569,598)	(26,311,186)
<b>Total Other Financing Sources</b>	<u>6,816,914</u>	<u>10,489,569</u>	<u>(7,514,570)</u>	<u>(9,873,913)</u>	<u>(82,000)</u>
<b>Net Change in Fund Balances</b>	(780,614)	2,338,166	(16,584,446)	(256,310)	(15,283,204)
<b>Fund Balances, Beginning</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>Fund Balances, Ending</b>	<u>\$ 49,962,132</u>	<u>\$ 18,415,184</u>	<u>\$ 22,532,499</u>	<u>\$ 31,714,231</u>	<u>\$ 122,624,046</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, 2019**

**Net Change in Fund Balances - Governmental Funds** \$ (15,283,204)

**Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:**

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation in the current fiscal year.	21,265,119
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 under depreciated cost of the disposed assets.	(884,647)
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.	12,490,626
The net refunding of debt is reported as an Other Financing Source (Use) in the governmental funds, but increases long-term liabilities in the statement of net position.	82,000
Amortized premiums on debt issues not reported in the governmental funds.	742,800
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences paid in excess of the amount earned in the current fiscal year.	33,467
Governmental funds report other postemployment benefit contributions as expenditures. However, in the statement of activities, the actual cost of benefits earned net of employee contributions is reported as an expense.	(120,789)
The net increase in liability for estimated insurance claims is reported in the statement of activities, but not in the governmental funds statement.	189,150
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.	(5,679,568)

**Change in Net Position - Governmental Activities** \$ 12,834,954

See accompanying notes.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**

	<b>Business-Type            Activities            Non-Major            Enterprise Fund</b> <hr/> <b>District            Permitting Office</b> <hr/>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ <u>15,805</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	<u>184</u>
<b>Net Position</b>	
Unrestricted	\$ <u><u>15,621</u></u>

See accompanying notes.



**LEON COUNTY DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Business-Type Activities Non-Major Enterprise Fund
	District Permitting Office
<b>Operating Expenses</b>	
Purchased Services	\$ 19,047
Other	4,380
<b>Total Operating Expenses</b>	23,427
<b>Operating Loss</b>	(23,427)
<b>Non-Operating Revenues</b>	
Interest	401
<b>Change in Net Position</b>	(23,026)
<b>Total Net Position - Beginning</b>	38,647
<b>Total Net Position - Ending</b>	\$ 15,621

See accompanying notes.

**LEON COUNTY DISTRICT SCHOOL BOARD  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Business-Type Activities Non-Major Enterprise Fund</b>
	<b>District Permitting Office</b>
<b>Cash Flows from Operating Activities</b>	
Cash Payments to Suppliers for Goods and Services	\$ (23,423)
<b>Cash Flows from Investing Activities</b>	
Interest Income	400
<b>Net Decrease in Cash Equivalents</b>	(23,023)
<b>Cash and Cash Equivalents, Beginning</b>	38,828
<b>Cash and Cash Equivalents, Ending</b>	15,805
<b><u>Reconciliation of Operating Loss to Net Cash</u></b>	
<b><u>Provided by (Used in) Operating Activities</u></b>	
Operating Loss	(23,427)
Adjustments to Reconcile Operating Loss to Net Cash	
Provided by (Used in) Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Payable	4
<b>Net Cash (Used in) Operating Activities</b>	\$ (23,423)

See accompanying notes.

**LEON COUNTY DISTRICT SCHOOL BOARD  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2019**

	Other Employee Benefits Trust Fund	Private-Purpose Trust Fund	Agency Funds
<b>Assets</b>			
Cash and Cash Equivalents	\$ 13,792,134	\$ 40,737	\$ 4,833,436
Accounts Receivable	-	-	32,259
<b>Total Assets</b>	<u>13,792,134</u>	<u>40,737</u>	<u>4,865,695</u>
<b>Liabilities</b>			
Payroll Deductions and Withholdings	8,711,560	-	-
Due to Other Funds	-	-	473,615
Accounts Payable	9,376	-	4,392,080
<b>Total Liabilities</b>	<u>8,720,936</u>	<u>-</u>	<u>4,865,695</u>
<b>Net Position</b>			
Held in Trust for Employee Benefits and Other Purposes	<u>\$ 5,071,198</u>	<u>\$ 40,737</u>	<u>\$ -</u>

See accompanying notes.

**LEON COUNTY DISTRICT SCHOOL BOARD  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<b>Other Employee Benefits Trust Fund</b>	<b>Private-Purpose Trust Fund</b>
<b>Additions</b>		
Contributions:		
Employer	\$ 25,615,178	\$ -
Plan Members	20,290,662	-
<b>Total Contributions</b>	<u>45,905,840</u>	<u>-</u>
<b>Investment Income</b>		
Interest, Dividends, and Other	15,938	528
<b>Total Additions</b>	<u>45,921,778</u>	<u>528</u>
<b>Deductions</b>		
Purchased Services	44,390	-
Payments to Providers	45,275,245	-
<b>Total Deductions</b>	<u>45,319,635</u>	<u>-</u>
<b>Change in Net Position</b>	<u>602,143</u>	<u>528</u>
<b>Net Position, Beginning of Year</b>	<u>4,469,055</u>	<u>40,209</u>
<b>Net Position, End of Year</b>	<u>\$ 5,071,198</u>	<u>\$ 40,737</u>

See accompanying notes.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

**A. Reporting Entity**

The Leon County District School Board (the 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 (the 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, 2019**

The Foundation for Leon County Schools, Inc. (the Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to provide charitable and educational aid to the Board, to promote education, and to encourage research, learning, and dissemination of information. The foundation is considered a component unit of the District because of the nature and significance of its relationship with the District.

*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, 2018. 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, 2019**

**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 inter-fund 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 non-major 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.

**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.

**LEON COUNTY DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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 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.



**LEON COUNTY DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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.

**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.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**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:

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.

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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.

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 FRS and the 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.

**LEON COUNTY DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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.

**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).

**Non-Spendable**—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

**LEON COUNTY DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

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.

**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.

##### **District Property Taxes**

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

**LEON COUNTY DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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 2019 tax levy on September 11, 2018. 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 (the 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.

**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.

**LEON COUNTY DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**I. Adjustment to Beginning Net Position**

The beginning net position of the District was decreased by \$586,775, which resulted from an error correction. This adjustment was related to the correction of certain 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. As a result of these changes, beginning net position has been restated as follows:

Description	Amount
Beginning Net Position Prior to Restatement	\$ 172,339,875
Capital Asset Correction	586,775
Beginning Net Position, As Restated	\$ 172,926,650

**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, 2019, the District had the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Florida PRIME (1)	28 Day Average	\$ 43,252,206
Debt Service Accounts	6 Months	19,785
Total Florida Prime		43,271,991
First American U.S. Treasury Money Market fund Class A (1)	40 Day Average	8,803
First American Government Obligations Fund Class Z (1)	40 Day Average	8,445,433
Fidelity Investments Money Market Government Portfolio Class I (1)	27 Day Average	24,286,721
Corporate Money Market Funds Cash Pool (1)	27 Day Average	83,619
United States Treasury Securities	1 to 5 Years	1,209,186
Obligations of United States Government Agencies and Instrumentalities:		
	1 to 5 Years	5,799
	Over 10 Years	2,455,215
Municipal Bonds	Less than 1 Year	304,821
Total investments, Governmental Activities		80,071,588
Fiduciary Funds:		
Florida Prime (1)	30 Day Average	43,969
Total Investments, Fiduciary Funds		43,969
Total Investments, Primary Government		80,115,557
Less Amounts Reported as Cash and Cash Equivalents - Sum of (1)		(76,120,751)
Total Amount Reported as Investments, Primary Government		\$ 3,994,806

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

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**Fair Value Measurement**

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

	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
SBA Debt Service	\$ 19,785	\$ 19,875	\$ -	\$ -
United States Treasury Securities	1,209,186	-	1,209,186	-
Obligations of United States Government Agencies and Instrumentalities	2,461,014	-	2,461,014	-
Municipal Bonds	304,821	-	304,821	-
<b>Total Investments by Fair Value Level</b>	<u>3,994,806</u>	<u>\$ 19,875</u>	<u>\$ 3,975,021</u>	<u>\$ -</u>
<b>Investments Measured at Amortized Cost</b>				
SBA Florida PRIME	43,296,175			
Money Market Funds	32,824,576			
<b>Total Investments Measured at Amortized Cost</b>	<u>76,120,751</u>			
<b>Total Investments, Primary Government</b>	<u>\$ 80,115,557</u>			

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District’s investment policy limits investment maturities to a maximum of 5 years, unless specifically matched with cash flow needs as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

For Florida PRIME, with regard to redemption gates, Section 218.409(8)(a), Florida Statutes, states, “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to



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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, 2019, 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.

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.

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**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.

**Note 3 - Capital Assets**

**Changes in Capital Assets**

Changes in capital assets are presented in the table below:

	Beginning Balance	Adjustments (1)	Additions	Deletions	Ending Balance
<b>Capital Assets Not Being Depreciated</b>					
Land	\$ 17,923,929	\$ (2,000)	\$ 11,000	\$ 388,250	\$ 17,544,679
Construction in Progress	16,157,943	-	35,199,269	12,900,418	38,456,794
<b>Total Capital Assets Not Being Depreciated</b>	<b>34,081,872</b>	<b>(2,000)</b>	<b>35,210,269</b>	<b>13,288,668</b>	<b>56,001,473</b>
<b>Capital Assets Being Depreciated</b>					
Improvements Other Than Buildings	41,007,391	-	3,884,268	-	44,891,659
Buildings and Fixed Equipment	561,026,380	(3,000)	8,975,605	-	569,998,985
Furniture, Fixtures, and Equipment	36,776,636	138,528	3,613,524	3,369,480	37,159,208
Motor Vehicles	31,077,933	63,540	984,634	1,764,696	30,361,411
Audio Visual Materials	4,966,948	(26,976)	51,900	255,402	4,736,470
Computer Software	3,742,687	269,792	1,147,827	79,767	5,080,539
<b>Total Capital Assets Being Depreciated</b>	<b>678,597,975</b>	<b>441,884</b>	<b>18,657,758</b>	<b>5,469,345</b>	<b>692,228,272</b>
<b>Less Accumulated Depreciation for</b>					
Improvements Other Than Buildings	27,520,247	30,487	1,243,463	-	28,794,197
Buildings and Fixed Equipment	227,556,753	(390,376)	13,445,361	-	240,611,738
Furniture, Fixtures, and Equipment	27,450,721	298,168	2,336,306	2,934,479	27,150,716
Motor Vehicles	21,413,799	60,933	1,885,224	1,733,188	21,626,768
Audio Visual Materials and	3,293,433	19,039	300,924	238,163	3,375,233
Computer Software	2,455,906	(165,141)	491,213	67,120	2,714,858
<b>Total Accumulated Depreciation</b>	<b>309,690,859</b>	<b>(146,890)</b>	<b>19,702,491</b>	<b>4,972,950</b>	<b>324,273,510</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>368,907,116</b>	<b>588,774</b>	<b>(1,044,733)</b>	<b>496,395</b>	<b>367,954,762</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 402,988,988</b>	<b>\$ 586,774</b>	<b>\$ 34,165,536</b>	<b>\$ 13,785,063</b>	<b>\$ 423,956,235</b>

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

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 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 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 HIS Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and 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 non-integrated 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 SBA, and is reported in an SBA annual financial statement and in the State of Florida Comprehensive Annual Financial Report.

**FRS Defined Benefit Pension Plan**

*Plan Description.* The FRS Pension Plan (the 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.

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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 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.

*Benefits Provided.* Benefits under the Plan are computed on the basis of age/and or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on 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

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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 non-contributory 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.

*Contributions.* The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2018-19 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
Florida Retirement System, Regular	3.00	8.26
Florida Retirement System, Elected County Officers	3.00	48.70
Florida Retirement System, Special Risk	3.00	24.50
Deferred Retirement Option Program – Applicable to Members from All of the Above Classes	0.00	14.03
Florida Retirement System, Reemployed Retiree	(2)	(2)

**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 \$12,705,088 for the fiscal year ended June 30, 2019, excluding HIS plan contributions.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2019, the District reported a liability of \$116,247,404 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2018, the District’s proportionate share was 0.385940916 percent, which was a decrease of 0.008888984 percentage points from its proportionate share measured as of June 30, 2017 (0.394829900 percent).

During the measurement period, the District recognized pension expense of \$18,107,557. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 9,847,903	\$ 357,433
Changes of Assumptions	37,983,998	-
Net Difference Between Projected and Actual Earnings on FRS Pension Plan Investments	-	8,981,529
Changes in Proportion and Differences Between District FRS Contributions and Proportionate Share of Contributions	-	6,309,473
District FRS Contributions Subsequent to the Measurement Date	<u>12,705,088</u>	<u>-</u>
<b>Total</b>	<u>\$ 60,536,989</u>	<u>\$ 15,648,435</u>

The deferred outflows of resources related to pensions totaling \$12,705,088 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, 2020. 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>
2020	\$ 13,084,888
2021	8,362,657
2022	(144,805)
2023	6,031,688
2024	4,275,004
Thereafter	<u>574,034</u>
<b>Total</b>	<u>\$ 32,183,466</u>

*Actuarial Assumptions.* The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	July 1, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	Individual Entry Age
Discount Rate	7.00 percent
Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	7.00 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, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013. 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 decreased from 7.10% to 7.00%.

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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 adopted in October 2018, 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 SBA. 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.

<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%	2.90%	2.90%	1.80%
Fixed Income	18.00%	4.40%	4.30%	4.00%
Global Equity	54.00%	7.60%	6.30%	17.00%
Real Estate (Property)	11.00%	6.60%	6.00%	11.30%
Private Equity	10.00%	10.70%	7.80%	26.50%
Strategic Investments	6.00%	6.00%	5.70%	8.60%
<b>Total</b>	<u>100.00%</u>			

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 7.00 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 7.00 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 (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
District’s Proportionate Share of the Net Pension Liability	\$ 212,156,389	\$ 116,247,405	\$ 36,589,323

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*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.

**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 FRS, 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, 2019, 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, 2019, 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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The District's contributions to the HIS defined-benefit pension plan totaled \$3,220,519 for the fiscal year ended June 30, 2019.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2019, the District reported a net pension liability of \$57,168,713 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. 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, 2018, the District's proportionate share was 0.540137061 percent, which was a decrease of 0.009740042 percentage points from its proportionate share measured as of June 30, 2017 (0.549877103 percent).

During the measurement period the District recognized pension expense of \$3,457,531. At June 30, 2019, 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	\$ 875,228	\$ 97,127
Changes of Assumptions	6,357,867	6,044,354
Net Difference Between Projected and Actual Earnings on HIS Pension Plan Investments	34,508	-
Changes in Proportion and Differences Between District HIS Contributions and Proportionate Share of Contributions	639,292	3,451,376
District Contributions Subsequent to the Measurement Date	3,220,519	-
<b>Total</b>	<u>\$ 11,127,414</u>	<u>\$ 9,592,857</u>

The deferred outflows of resources totaling \$3,220,519 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, 2020. 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>
2020	\$ (9,736)
2021	(12,645)
2022	20,019
2023	(326,800)
2024	(866,053)
Thereafter	(490,747)
<b>Total</b>	<u>\$ (1,685,962)</u>

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*Actuarial Assumptions.* The actuarial assumptions that determined the total pension liability as of June 30, 2018, 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, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	July 1, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	Individual Entry Age
Inflation	2.60 Percent
Salary Increases	3.25 Percent, Average, Including Inflation
Discount Rate	3.87 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 3.87 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 3.87 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 (2.87 percent) or 1-percentage-point higher (4.87 percent) than the current rate:

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>2.87%</b>	<b>3.87%</b>	<b>4.87%</b>
District's Proportionate Share of the Net Pension Liability	<u>\$ 65,111,814</u>	<u>\$ 57,168,713</u>	<u>\$ 50,547,678</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.

**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.

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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 2018-19 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, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; 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 contribution totaled \$897,659 for the fiscal year ended June 30, 2019.

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**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 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, Non-Retired Members	-
Active Members	<u>2,990</u>
<b>Total Plan Members</b>	<u><u>3,934</u></u>

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

Description	Amount
Service Cost	\$ 1,041,636
Interest on Total OPEB Plan Liability	1,082,279
Changes of Assumptions	(209,587)
Benefit Payments	<u>(1,711,610)</u>
<b>Net Change in Total OPEB Plan Liability</b>	(202,718)
<b>Net OPEB Plan Liability, Beginning of Year</b>	<u>30,215,278</u>
<b>Net OPEB Plan Liability, End of Year</b>	<u><u>\$ 30,417,996</u></u>

*Funded Status and Funding Progress.* As of June 30, 2018, the most recent valuation date, the total OPEB Plan liability was \$30,417,997, 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 \$158,793,158, and the ratio of the total OPEB Plan liability to the covered payroll was 19.16 percent.

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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 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, 2017, 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, 2017, 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.

Mortality tables used in the July 1, 2017, actuarial valuation of the FRS 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 FRS

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.

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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 3.62% (based on the daily rate closest to but not later than the measurement date of the “Fidelity 20-Year Municipal General Obligation AA Index”). The discount rate was 3.56% as of the beginning of the measurement period.

The District’s annual OPEB expense totaled \$1,827,420 for the fiscal year ended June 30, 2019. At June 30, 2019, 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	\$ -	\$ 1,981,236
District Contributions Subsequent to the Measurement Date	<u>1,706,631</u>	<u>-</u>
<b>Total</b>	<u>\$ 1,706,631</u>	<u>\$ 1,981,236</u>

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

	<u>Amount</u>
2020	\$ (296,495)
2021	(296,495)
2022	(296,495)
2023	(296,495)
2024	(296,495)
Thereafter	<u>(498,761)</u>
<b>Total</b>	<u>\$ (1,981,236)</u>

*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 3.62 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 (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current rate:

	<u>1% Decrease 2.62%</u>	<u>Current Discount Rate 3.62%</u>	<u>1% Increase 4.62%</u>
<b>OPEB Plan Liability</b>	<u>\$ 34,225,831</u>	<u>\$ 30,417,997</u>	<u>\$ 27,232,204</u>

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*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:

	1% Decrease (6.00% Down To 3.61%)	Current Healthcare Cost Trend Rate Assumption	1% Increase (8.00% Down to 5.61%)
<b>OPEB Plan Liability</b>	\$ 28,066,647	\$ 30,417,997	\$ 32,861,120

**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, 2019:

<b>Major Funds</b>			
	<b>Capital Projects Other Capital Projects</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>General</b>	<b>General</b>	<b>General</b>	<b>General</b>
\$ 611,112	\$ 15,135,181	\$ 6,200,359	\$ 21,946,652

**Note 7 - Construction Commitments**

<b>Projects</b>	<b>Description</b>	<b>Contract Amount</b>	<b>Completed June 30, 2018</b>	<b>Balance Committed</b>
Chiles	Remodeling and Site Work	\$ 1,481,282	\$ 1,307,056	\$ 174,226
Fairview	New Construction, Remodel, Renovation and Site Work	13,657,430	10,656,787	3,000,643
Rickards	New Construction, Remodel, Renovation and Site Work	18,010,528	16,716,732	1,293,796
WT Moore	Site Work	2,073,175	1,803,670	269,505
Sail	Site Work	168,108	19,854	148,254
Transportation - Connor Blvd	Site Work CNG Expansion and Upgrade	1,108,724	857,870	250,854
Woodville	Site Improvement	1,490,822	1,399,233	91,589
<b>Total</b>		\$ 37,990,069	\$ 32,761,202	\$ 5,228,867

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**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 \$4,854,033 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2019.

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

	Fiscal Year Liability	Claims and Changes in Estimates	Payments	Fiscal Year-End
2017-18	5,055,016	126,258	(138,091)	5,043,183
2018-19	5,043,183	409,378	(598,528)	4,854,033

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 – Direct Placement**

Description – Lease Purchase Agreement: School Buses

Amount Outstanding – \$4,668,440

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.



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

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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	<u>991,398</u>	<u>971,644</u>	<u>19,754</u>
<b>Total Minimum Lease Payments</b>	<u>\$ 4,956,988</u>	<u>\$ 4,668,440</u>	<u>\$ 288,548</u>

**Certificates of Participation – Direct Placement**

Certificates of participation at June 30, 2019, are as follows:

<u>Series</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Lease Term Maturity</u>	<u>Original Amount</u>
Series 2016 Refunding	\$ 40,515,000	1.818	2026	\$ 58,410,000
QZAB 2004	3,313,000	0.00	2020	3,313,000
QZAB 2008A	1,560,000	0.19	2024	5,000,000
QZAB 2008B	5,000,000	1.7	2023	15,000,000
QZAB 2010	33,209,140	5.68	2028	33,209,140
QSCB 2010	<u>18,597,100</u>	4.84	2027	<u>18,597,100</u>
<b>Total Certificates of Participation</b>	<u>\$ 102,194,240</u>			<u>\$ 133,529,240</u>

The District entered into financing arrangement on October 1, 1997, characterized as lease-purchase agreements, with the 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.

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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.

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, Killlearn 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.

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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, Killlearn 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.

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, 2019:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 10,402,906	\$ 6,792,000	3,610,906
2021	13,698,686	10,205,000	3,493,686
2022	10,366,649	6,992,000	3,374,649
2023	10,350,794	7,097,000	3,253,794
2024	10,333,030	7,202,000	3,131,030
2025-2029	<u>75,875,812</u>	<u>63,906,240</u>	<u>11,969,572</u>
<b>Total Minimum Lease Payments</b>	<u>\$ 131,027,877</u>	<u>\$ 102,194,240</u>	<u>\$ 28,833,637</u>

Bonds payable at June 30, 2019, 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 2010A, Refunding	\$ 200,000	3.00-5.00	2021	\$ 2,175,000
Series 2014B, Refunding	11,000	2.00-5.00	2020	7,055,000
Series 2019A, Refunding	613,000	5.00	2029	613,000
District Revenue Bonds:				
Series 2014	<u>54,785,000</u>	1.82-3.66	2027	<u>75,000,000</u>
Total Bonds Payable	55,609,000			<u>\$ 84,843,000</u>
Add Unamortized Bond Premium	<u>5,411,853</u>			
<b>Total Certificates of Participation</b>	<u>\$ 61,020,853</u>			

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

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■ **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.

During the year, the callable portion of the Series 2009A State School Bonds was refunded with the Series 2019A, Refunding Bonds.

■ **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, 2019, are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
<b>State School Bonds:</b>			
2020	\$ 184,509	\$ 145,000	\$ 39,509
2021	180,950	147,000	33,950
2022	73,600	47,000	26,600
2023	74,250	50,000	24,250
2024	76,750	55,000	21,750
2025-2029	<u>441,000</u>	<u>380,000</u>	<u>61,000</u>
<b>Total State School Bonds</b>	<u>1,031,059</u>	<u>824,000</u>	<u>207,059</u>
<u>Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
<b>Sales Tax Revenue Bonds:</b>			
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	7,418,075	6,045,000	1,373,075
2025-2028	<u>29,672,825</u>	<u>27,295,000</u>	<u>2,377,825</u>
<b>Total Sales Tax Revenue Bonds</b>	<u>66,842,575</u>	<u>54,785,000</u>	<u>12,057,575</u>
 <b>Total</b>	 <u>\$ 67,873,634</u>	 <u>\$ 55,609,000</u>	 <u>\$ 12,264,634</u>

**LEON COUNTY DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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 -					
Direct Placement	\$ 108,891,240	\$ -	\$ 6,697,000	\$ 102,194,240	\$ 6,792,000
Lease Purchase Payable - Direct					
Placement	5,547,065	-	878,626	4,668,439	896,488
Bonds Payable	60,606,000	613,000	5,610,000	55,609,000	5,120,000
Premiums	6,154,653	-	742,800	5,411,853	-
Total Capital Asset Related Debt	181,198,958	613,000	13,928,426	167,883,532	12,808,488
Compensated Absences Payable	30,428,971	3,323,995	3,357,462	30,395,504	2,518,591
Other Postemployment Benefits Payable	30,215,279	202,718	-	30,417,997	1,735,284
Estimated Insurance Claims Payable	5,043,183	409,378	598,528	4,854,033	1,288,154
Net Pension Liability:					
Florida Retirement System	116,788,035	-	540,631	116,247,404	-
Health Insurance Subsidy	58,795,397	-	1,626,684	57,168,713	1,691,812
<b>Total Governmental Activities</b>	<b>\$ 422,469,823</b>	<b>\$ 4,549,091</b>	<b>\$ 20,051,731</b>	<b>\$ 406,967,183</b>	<b>\$ 20,042,329</b>

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 \$73,371,034 and inflow of resources equal to \$27,222,528 at June 30, 2019, 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	\$ 1,711,610	\$ 1,706,631	\$ 1,711,610	\$ 1,706,631
Pension Related Deferred Outflows:				
Florida Retirement System	60,966,363	60,536,989	60,966,363	60,536,989
Health Insurance Subsidy	11,988,627	11,127,414	11,988,627	11,127,414
Total Deferred Outflows	74,666,600	73,371,034	74,666,600	73,371,034
Pension Related Deferred Inflows:				
Other Postemployment Benefits	2,068,144	1,981,236	2,068,144	1,981,236
Florida Retirement System	10,094,621	15,648,435	10,094,621	15,648,435
Health Insurance Subsidy	8,590,375	9,592,857	8,590,375	9,592,857
Total Deferred Inflows	\$ 20,753,140	\$ 27,222,528	\$ 20,753,140	\$ 27,222,528

**LEON COUNTY DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Note 11 - Revenues**

**Schedule of State Revenue Sources**

The following is a schedule of the District's State revenue sources for the 2018-19 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 125,531,487
Class Size Reduction	36,455,860
Workforce Development	6,427,012
Miscellaneous Revenue	5,025,529
Florida School Recognition	1,370,588
Safety and Security Grant	1,210,064
CO & DS Distributed	1,113,553
PECO Funds	794,832
Voluntary Prekindergarten Program	446,969
Charter School Capital Outlay Fund	857,383
CO & DS Withheld SBE Bonds	221,120
Adult With Disabilities	215,476
Racing Commission Funds	223,250
School Lunch Supplement	93,448
School Breakfast Supplement	76,617
Discretionary Lottery	114,168
Other Miscellaneous State Revenue	23,916
State License Tax	51,846
Undistributed CO & DS Interest	25,113
CO & DS Withheld Administration Expense	20,325
SBE Bond Interest	476
<b>Total State Revenue</b>	<b><u>\$ 180,299,032</u></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 2018 tax roll for the 2018-19 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>
Non-Voted School Tax:		
Require Local Effort	4.083	\$ 70,767,199
Required Local Effort -		
Prior Period Adjustment	0.012	2,007,986
Basic Discretionary Local Effort	0.748	12,964,454
<b><u>Capital Projects Funds</u></b>		
Non-Voted Tax:		
Local Capital Improvement	1.500	25,998,236
<b>Total</b>	<b><u>6.343</u></b>	<b><u>\$ 111,737,875</u></b>

**LEON COUNTY DISTRICT SCHOOL BOARD  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**Note 12 - Inter-Fund Balances**

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

<u>Funds</u>	<u>Inter-Fund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
Major:		
General	7,043,932	227,018
Debt Service:		
Other Debt Service	10,489,569	-
Capital Projects:		
Other Capital Projects	-	7,514,570
Non-Major Governmental	<u>8,777,685</u>	<u>18,569,598</u>
<b>Total</b>	<u>\$ 26,311,186</u>	<u>\$ 26,311,186</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.

Inter-fund receivables and payables consist of the following at June 30, 2019:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 470,393	\$ 227,018
Non-Major Governmental Funds	230,240	-
Agency Funds	-	473,615
<b>Total</b>	<u>\$ 700,633</u>	<u>\$ 700,633</u>

**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, 2019**

	General Fund			
	Original Budget	Final Budget	Actual	Variance
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 220,849	\$ 265,612	\$ 265,612	\$ -
Federal Through State and Local	25,000	50,361	50,361	-
State	175,303,286	175,683,175	175,683,175	-
Local:				
Property Taxes	84,065,547	84,052,737	84,052,737	-
Miscellaneous	8,950,383	14,264,267	14,264,267	-
Total Local Revenues	<u>93,015,930</u>	<u>98,317,004</u>	<u>98,317,004</u>	<u>-</u>
<b>Total Revenues</b>	<u>268,565,065</u>	<u>274,316,152</u>	<u>274,316,152</u>	<u>-</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	185,594,567	179,504,280	164,304,293	15,199,987
Student Support Services	11,049,687	11,646,963	10,427,891	1,219,072
Instructional Media Services	4,346,336	3,925,751	3,632,816	292,935
Instruction and Curriculum				
Development Services	3,846,745	7,330,699	6,375,415	955,284
Instructional Staff Training Services	2,059,316	1,412,795	585,119	827,676
Instruction-Related Technology	2,780,865	3,527,012	3,165,343	361,669
Board	1,212,603	1,891,015	1,567,728	323,287
General Administration	1,100,222	1,236,956	1,123,996	112,960
School Administration	20,428,806	23,051,895	22,898,977	152,918
Facilities Acquisition and Construction	586,816	1,116,426	1,031,221	85,205
Fiscal Services	2,646,819	2,712,943	2,657,234	55,709
Central Services	9,921,146	10,470,505	7,010,644	3,459,861
Student Transportation Services	14,603,409	15,523,098	14,504,460	1,018,638
Operation of Plant	22,083,927	22,500,157	19,822,099	2,678,058
Maintenance of Plant	9,027,108	10,348,206	10,200,590	147,616
Administrative Technology Services	4,992,094	5,567,739	5,079,212	488,527
Community Services	8,322,050	8,068,607	5,833,085	2,235,522
Fixed Capital Outlay:				
Facilities Acquisition and Construction	2,400,264	3,390,863	353,041	3,037,822
Other Capital Outlay	54,027	1,105,920	1,340,516	(234,596)
<b>Total Expenditures</b>	<u>307,056,807</u>	<u>314,331,830</u>	<u>281,913,680</u>	<u>32,418,150</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(38,491,742)</u>	<u>(40,015,678)</u>	<u>(7,597,528)</u>	<u>32,418,150</u>
<b>Other Financing Sources</b>				
Transfers in	4,954,942	7,043,932	7,043,932	-
Transfer (out)	-	-	(227,018)	(227,018)
<b>Total Other Financing Sources</b>	<u>4,954,942</u>	<u>7,043,932</u>	<u>6,816,914</u>	<u>(227,018)</u>
<b>Net Change in Fund Balances</b>	<u>(33,536,800)</u>	<u>(32,971,746)</u>	<u>(780,614)</u>	<u>32,191,132</u>
<b>Fund Balances, Beginning</b>	<u>50,742,746</u>	<u>50,742,746</u>	<u>50,742,746</u>	<u>-</u>
<b>Fund Balances, Ending</b>	<u>\$ 17,205,946</u>	<u>\$ 17,771,000</u>	<u>\$ 49,962,132</u>	<u>\$ 32,191,132</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the FRS Net Pension Liability	0.385940916%	0.394829900%	0.395759454%	0.449757910%	0.463930418%	0.464637005%
District's Proportionate Share of the FRS Net Pension Liability	\$ 116,247,404	\$ 116,788,035	\$ 99,929,573	\$ 58,092,266	\$ 28,306,578	\$ 79,984,708
District's Covered Payroll	176,456,446	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	65.88%	66.34%	59.76%	33.34%	16.57%	45.66%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

**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.

See accompanying notes.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required FRS Contribution	\$ 12,705,088	\$ 10,999,006	\$ 10,278,395	\$ 9,651,225	\$ 10,965,480	\$ 10,162,045
FRS Contribution in Relation to the Contractually Required Contribution	(12,705,088)	(10,999,006)	(10,278,395)	(9,651,225)	(10,965,480)	(10,162,045)
FRS Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's Covered Payroll	 <u>\$ 185,007,030</u>	 <u>\$ 176,456,446</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	6.87%	6.23%	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.

See accompanying notes.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the FRS Net Pension Liability	0.540137061%	0.549877103%	0.540887223%	0.574085981%	0.575286134%	0.602917579%
District's Proportionate Share of the FRS Net Pension Liability	\$ 57,168,713	\$ 58,795,397	\$ 63,038,165	\$ 58,547,740	\$ 53,790,657	\$ 52,491,902
District's Covered Payroll	176,456,446	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	32.40%	33.40%	37.70%	33.60%	31.49%	29.96%
FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

**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.

See accompanying notes.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required FRS Contribution	\$ 3,220,519	\$ 2,929,177	\$ 2,910,109	\$ 2,772,392	\$ 2,194,514	\$ 1,970,737
FRS Contribution in Relation to the Contractually Required Contribution	(3,220,519)	(2,929,177)	(2,910,109)	(2,772,392)	(2,194,514)	(1,970,737)
FRS Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 District's Covered Payroll	 <u>\$ 194,297,131</u>	 <u>\$ 176,456,446</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	1.66%	1.66%	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.

See accompanying notes.

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

Measurement Year Ended June 30	<b>2018</b>	<b>2017</b>
Reporting Year Ended June 30	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>		
Service Cost	\$ 1,041,636	\$ 1,143,416
Interest on the Total OPEB Liability	1,082,279	948,268
Changes of Benefit Terms	-	-
Difference Between Expected and Actual Experience of the Total OPEB Liability	-	-
Changes in Assumptions and Other Inputs	(209,587)	(2,340,268)
Benefit Payments	(1,711,610)	(1,735,284)
Net Change in Total OPEB Liability	202,718	(1,983,868)
<b>Total OPEB Liability - Beginning of Year</b>	<u>30,215,279</u>	<u>32,199,147</u>
<b>Total OPEB Liability - End of Year</b>	<u>\$ 30,417,997</u>	<u>\$ 30,215,279</u>
 <b>Estimated Covered-Employee Payroll</b>	 158,793,158	 114,416,406
 <b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	 19.16%	 26.41%

**Notes:**

- (1) - 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.
- (2) - 10 years of data will be displayed as information becomes available.

See accompanying notes.

**LEON COUNTY DISTRICT SCHOOL BOARD  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

**Note 1 - Budgetary Basis of Accounting**

The Leon County District School (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 7.1 percent to 7.0 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 3.58 percent to 3.87 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 Governmental Accounting Standards Board statement No. 75 to pay related benefits.

*Changes of Assumptions.* The discount rate used to determine the Total OPEB Liability was increased from 3.56 percent as of the beginning of the measurement period to 3.62 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, 2019**

<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	18002	\$ -	\$ 2,765,978
National School Lunch Program	10.555	18001, 18003	-	8,079,076
Donated Commodities	10.565	N/A	-	808,118
Summer Food Service Program for Children	10.559	18006, 18007	-	232,345
<b>Total Child Nutrition Cluster</b>			<u>-</u>	<u>11,885,517</u>
<b>Student Financial Assistance Cluster</b>				
United States Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	-	41,583
Federal Pell Grant Program	84.063	N/A	-	2,113,666
<b>Total Student Financial Assistance Cluster</b>			<u>-</u>	<u>2,155,249</u>
<b>Special Education Cluster</b>				
United States Department of Education:				
Special Education - Grants to States	84.027	262, 267	142,799	9,491,805
Special Education - Preschool Grants	84.173	266, 267	-	497,202
<b>Total Special Education Cluster</b>			<u>142,799</u>	<u>9,989,007</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	-	765,472
Florida Department of Agriculture and Consumer Services:				
Fresh Fruit and Vegetable Program	10.582	18004	-	134,143
Healthy US School Challenge	10.543	N/A	-	33,157
Farm to School	10.575	N/A	-	58,728
<b>Total United States Department of Agriculture</b>			<u>-</u>	<u>991,500</u>

**LEON COUNTY DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Expenditures</b>
<b>United States Department of Defense</b>				
Air Force Junior Reserve Officers Training Corps	12.UNK	N/A	\$ -	\$ 72,946
Army Junior Reserve Officers Training Corps	12.UNK	N/A	-	61,950
Marine Junior Reserve Officers Training Corps	12.UNK	N/A	-	65,644
Navy Junior Reserve Officers Training Corps	12.UNK	N/A	-	65,071
<b>Total United States Department of Defense</b>			<u>-</u>	<u>265,611</u>
<b>United States Department of Education</b>				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191,193	-	359,523
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	415,808	11,022,297
Career and Technical Education - Basic Grants to States	84.048	161	-	545,321
Education for Homeless Children and Youth	84.196	127	-	61,665
Florida Charter Schools Program - Tallahassee Classical School	84.282	298	500	500
Twenty-First Century Community Learning Centers	84.287	244	-	1,196,416
English Language Acquisition State Grants	84.365	102	-	112,225
Improving Teacher Quality State Grants	84.367	224	19,532	1,114,599
			<u>435,840</u>	<u>14,412,546</u>
Florida Department of Education:				
Student Support and Academic Enrichment	84.424	8C002	-	395,046
<b>Total United States Department of Education</b>			<u>435,840</u>	<u>14,807,592</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 578,639</u>	<u>\$ 40,094,476</u>

**LEON COUNTY DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

**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, 2019. 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 Leon County School District (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) Non-Cash Assistance - National School Lunch Program.** Includes \$808,118 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

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

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, 2019, and the related notes to the financial statements, which collectively comprise the Leon County School District's (the District) basic financial statements, and have issued our report thereon dated January 13, 2020. 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 auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

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

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

**Certified Public Accountants**

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Leon County District School Board and  
Superintendent  
Tallahassee, Florida

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

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs (Finding 2019-01) that we consider to be a material weakness.

**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, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

**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.

*Purvis, Gray and Company, LLP*

January 13, 2020  
Tallahassee, Florida

**INDEPENDENT AUDITOR'S 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 Leon County School District's (the District) major Federal programs for the fiscal year ended June 30, 2019. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with 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 non-compliance 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.

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Leon County District School Board and  
Superintendent  
Tallahassee, Florida

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

**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, 2019.

**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, non-compliance 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 non-compliance 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*

January 13, 2020  
Tallahassee, Florida

**LEON COUNTY DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's 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?	No
Non-compliance 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 auditor's report issued on compliance for major Federal programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
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Identification of major Federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173	Special Education Cluster
10.558	Child and Adult Care Food Program
84.010	Title I Grants to Local Education Agencies

Dollar threshold used to distinguish between type A and type B programs:	\$1,202,834
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Auditee qualified as low risk auditee?	No
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**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**

See Summary of Prior Year Findings and Questioned Costs.



**LEON COUNTY DISTRICT SCHOOL BOARD  
SUMMARY OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**2019-01 Financial Reporting**

**Criteria**—The Leon County School District (the District) prepares the Annual Financial Report (AFR) which contains a significant amount of financial information and must be submitted to the Florida Department of Education annually. The District utilized a new software system to assist with the preparation of the AFR in the current year.

**Condition**—During our comparison of the AFR to the accounting records, we identified several errors that needed to be corrected. These errors included the following:

- A new capital projects fund was inadvertently omitted from the AFR.
- The amount reported as due from the Florida Department of Revenue for Sales Tax as of June 30, 2019 was understated.
- Certain entries were incorrectly made to fund balance, or prior year’s audit adjustments were not properly reflected in fund balance.
- \$227k of expenditures in the Federal fund were inadvertently excluded from the AFR and were ultimately not submitted for reimbursement to the Florida Department of Education.
- \$105k of claims paid in the month of June in the Other Employee Benefits Trust Fund were not initially recorded.
- The detailed listing of open construction projects didn’t initially reconcile to the amounts reported in the AFR.

**Cause**—A process to review and reconcile the accounting records to the AFR was not in place or was not functioning properly. In certain instances, the conversion of data to the new software system used to prepare the AFR omitted account balances.

**Effect**—The AFR as submitted to the Florida Department of Education contained errors and inaccuracies.

**Recommendation**—We recommend the District implement a more thorough review and reconciliation process over financial information being submitted to the Florida Department of Education. This includes ensuring that all account balances are included when converting data into the new software system used to prepare the AFR. Additionally, we recommend a process be implemented to ensure that any changes that are made in the software system used to prepare the AFR also be made to the accounting system.

**LEON COUNTY DISTRICT SCHOOL BOARD  
SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Prior Year's Findings and Recommendations**

The status of prior year findings and recommendations is presented below:

**2018-01 Capital Assets**

**Condition**—Over the past few years, the Leon County School District (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. 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.

**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.

**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.

**Status in Current Year**—We noted the District made significant improvements in this area in the current year. Capital Asset subsidiary ledgers were cleaned up and were fully migrated from Excel spreadsheets. Capital additions were reconciled to capital outlay expenditures and disposals were properly reported within the subsidiary records. We consider this finding to be resolved.

**LEON COUNTY DISTRICT SCHOOL BOARD  
SUMMARY OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**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.

**Status in Current Year**—We noted the District implemented a review and approval process for bank reconciliations in the current year. We consider this finding to be resolved.

**INDEPENDENT ACCOUNTANT'S 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, 2019. 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 non-compliance, 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, 2019.

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*

January 13, 2020  
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, 2019, and have issued our report thereon dated January 13, 2020. 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.

### Auditor's 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 Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's 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 January 13, 2020, 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. Corrective actions have been taken to address the findings and recommendations made in the preceding annual financial report.

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Leon County District School Board and  
Superintendent  
Tallahassee Florida

## MANAGEMENT LETTER

### 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.

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 did not have any such recommendations.

### 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*.

### Additional Matters

Section 10.804(1)(f)4., *Rules of the Auditor General*, requires us to communicate non-compliance 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.



January 13, 2020  
Tallahassee, Florida

BOARD CHAIR  
DeeDee Rasmussen



BOARD MEMBERS

Rosanne Wood  
Darryl Jones  
Alva Swafford  
Striplin

BOARD VICE CHAIR  
Georgia "Joy" Bowen

SUPERINTENDENT  
Rocky Hanna

January 10, 2020

Auditor General's Office  
Local Government Section  
Claude Denson Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

To Whom It May Concern:

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, 2019. The District has again received an unmodified opinion. An unmodified opinion is the highest level of assurance that can be provided by a certified public accounting firm; indicating that the 2018-2019 financial statements for Leon County School District are presented fairly, in all material respects, in accordance with generally accepted accounting principles.

The information below details the District's management responses and/or corrective actions to address each of the comments. Please note that appropriate corrective actions are currently underway or fully implemented for the comment included in this report.

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**Building the Future Together**

The District agrees that the implementation of the new financial reporting software was done quickly over an abbreviated period. The District purchased the new financial reporting system in the spring of 2018. Subsequent staff turnover delayed the completion and submission of the Fiscal Year 2017-18 Annual Financial Report, as well as the implementation of the new system. The system utilizes the prior year audited financial reports for implementation, which were not available until April 2019. As district staff worked to implement the system with the contractor during the remaining three months in the fiscal year, the same staff were also tasked with the fixed asset cleanup stemming from the prior year audit as well as working with the audit team during May 2019 as they completed field work and testing for the current year audit.

As stated in the finding, there were issues with converting the data into the financial reporting system from the accounting system that were not discovered due to the short implementation window. To avoid this issue in the future the District will not solely rely on the automated upload account crosswalk and reconciliation provided in the financial reporting system; and will manually review the yearly import of financial data from the accounting system to the financial reporting system to ensure all accounts are imported correctly.

We constantly strive to improve operations to better serve the students and families of Leon County. We have reviewed the comments and recommendations provided, and will use them to further improve District processes.

Respectfully,



Kimberly Banks  
Chief Financial Officer