Financial Statements
and Other Financial Information

Leon County District School Board
Tallahassee, Florida

*Year ended June 30, 2016*
*with Report of Independent Auditors*

## TABLE OF CONTENTS

**TABLE OF CONTENTS (Continued)**

# Report of Independent Auditors

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leon County District School Board (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the component unit columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

**Opinion**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Leon County School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison statements of the major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America, Section 218.39, *Florida Statutes* and Chapter 10.800, *Rules of the Auditor General* for School District Audits.

**Other Matters**

As discussed in the Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards,* material weaknesses and a significant deficiency have been noted with respect to internal controls over capital assets, cash and investments, and financial reporting. Lack of timely corrective action by management to address these deficiencies may result in material errors in financial records and reports. Our opinion is not modified with respect to this matter.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of Funding Progress – Other Postemployment Benefits Plan, Schedule of Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan, Schedule of Contributions – Florida Retirement System Pension Plan, Schedule of Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Program, and Schedule of Contributions – Health Insurance Subsidy Program, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards and schedule of findings and questioned costs relating to federal awards are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principle, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A. Law, Redd, Crona & Munroe, P.A.

**Thomas Howell Ferguson P.A.**
Tallahassee, Florida
March 29, 2017

**Law, Redd, Crona & Munroe P.A.**
Tallahassee, Florida

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

## FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-16 fiscal year are as follows:

- Total Net Position is $158,061,930, which represents a 20.4 percent increase from the 2014-15 fiscal year.
- General revenues total $319,469,164 or 93.3 percent of all revenues which is $342,236,897. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $22,767,733 or 6.7 percent of all revenues.
- Expenses total $315,509,506; only $22,767,733 of these expenses were offset by program revenues, with the remainder paid from general revenues. Total revenues exceed total expenses by $26,727,391.
- The total combined assigned and unassigned fund balance of the General Fund, representing the net fund balance that is spendable and not restricted, totals $25,229,521 at June 30, 2016, or 9.8 percent of total General Fund revenues. The unassigned fund balance totals $12,828,889, which represents 5 percent of total General Fund revenues.
- The District's capital assets $397,868,029 (net of depreciation) increased by $42,630,751 as 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

**Government-wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental 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 two categories:

Governmental activities—This represents most of the District's services, basic, vocational, adult, and exceptional education programs. 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.

Component units—The District presents six separate legal entities in this report including the Foundation for Leon County Schools, Inc.; The School of Arts and Sciences Foundation, Inc.; Tallahassee School of Math and Science; Imagine-Leon County, LLC (d/b/a Imagine School at Evening Rose); Governors Charter Academy, a department of Renaissance Charter School Inc.; and the Woodville Educational Foundation, Inc. (d/b/a The Woodville Middle School of Leadership Through History and Civics). Although these entities do not meet the specific financial accountability criteria, they are included in this report as component units based on the nature and significance of their relationship with the District to prevent the District's financial statements from being misleading. Financial information for these component units are reported separately from the financial information presented for the primary government.

The Leon County School Board Leasing Corporation, Inc. (Leasing Corporation), also a legally separate entity, was formed to facilitate financing the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

## Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the District's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements. All of the District's funds may be classified within one of three broad categories as discussed below.

**Governmental Funds**—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize the current financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The current financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue-Federal Fund, Capital Projects – Bond Fund, and Capital Projects – Other Capital Projects Fund. Data from the other thirteen governmental funds are considered nonmajor and are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and are presented as supplementary information.

**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.

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

**Notes to Required Supplementary Information**
The notes provide additional information that is essential for a full understanding of the data provided in the required supplementary information.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial health. The following is a summary of the District's net position as of June 30, 2016, compared to net position as of June 30, 2015:

**Net Position, End of Year**

| | Governmental Activities | |
|---|---|---|
| | 6-30-16 | 6-30-15 |
| Current Assets | $ 143,610,786 | $ 180,456,759 |
| Other Assets | - | - |
| Capital Assets, Net of Depreciation | 397,868,029 | 355,237,278 |
| **Total Assets** | 541,478,815 | 535,694,037 |
| Deferred Outflow of Resources | 27,050,092 | 20,002,128 |
| Long Term Liabilities | 374,182,498 | 359,169,898 |
| Other Liabilities | 17,324,817 | 14,121,825 |
| **Total Liabilities** | 391,507,315 | 373,291,723 |
| Deferred Inflow of Resources | 19,031,898 | 51,145,652 |
| Net Position: | | |
| Net Investment in Capital Assets | 189,721,389 | 200,957,008 |
| Restricted | 61,471,303 | 151,983,837 |
| Unrestricted (Deficit) | (93,202,998) | (221,682,055) |
| **Total Net Position** | $ 157,989,694 | $ 131,258,790 |

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.

The restricted portion of the District's net position represents resources subject to external restrictions on how they can be used.

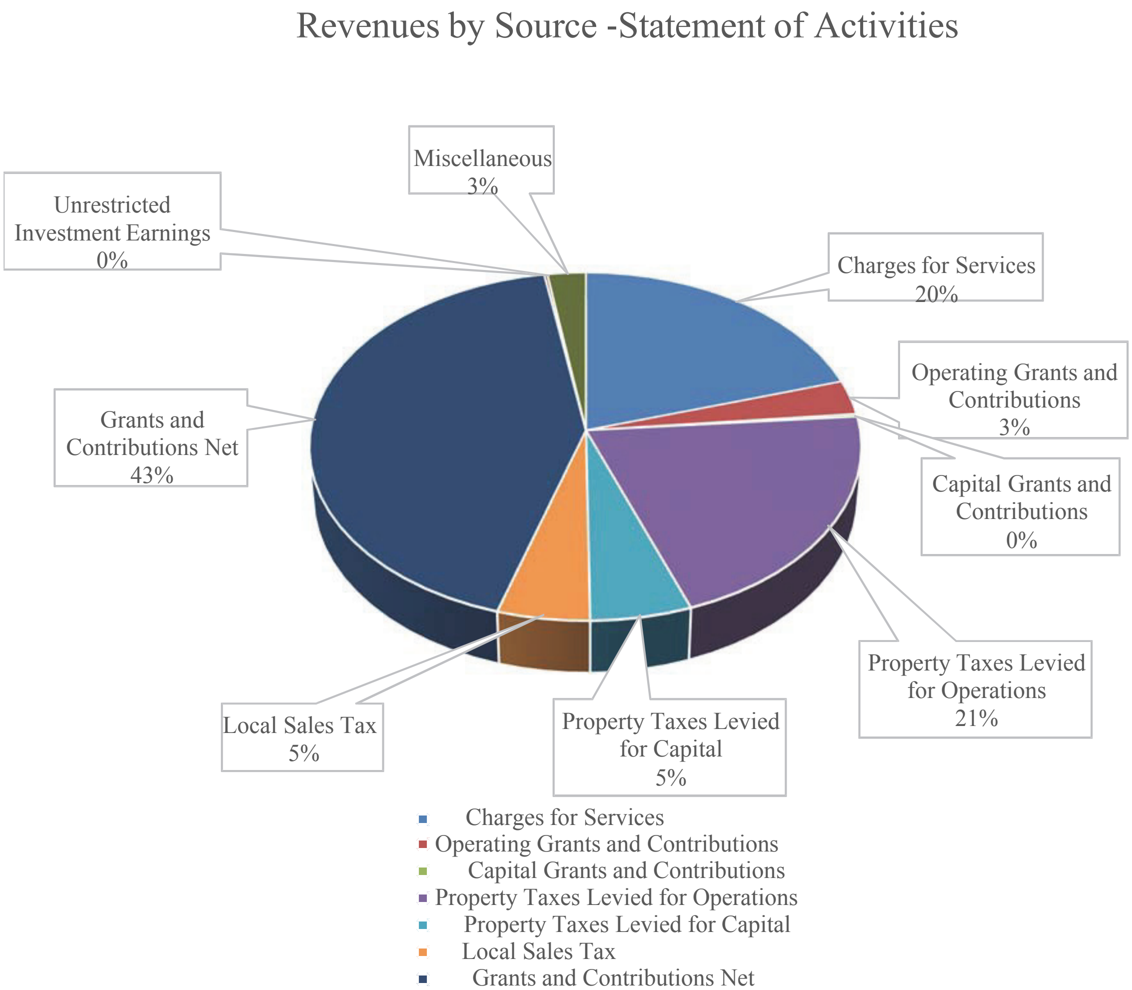
The key elements of the changes in the District's net position for the fiscal years ended June 30, 2016, and June 30, 2015, are as follows:

- The increase in capital assets is due primarily to capital outlay additions exceeding depreciation and capital outlay deletions in the current year.

Governmental activities increased the District's net position by $26,730,904 during the 2015-16 fiscal year, detailed as follows:

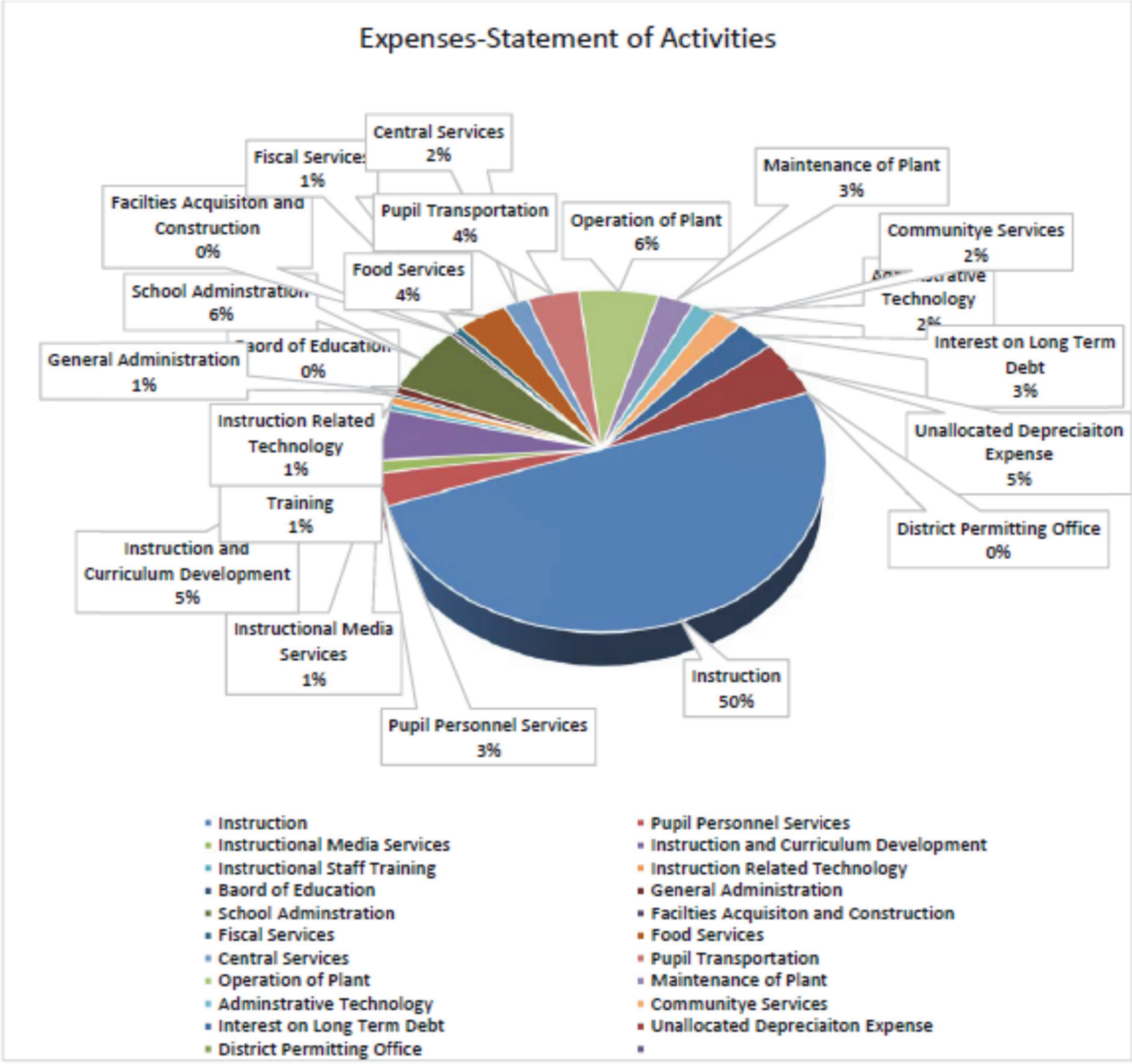
**Operating Results for the Fiscal Year Ended**

| | Governmental Activities | |
|---|---|---|
| | 6-30-16 | 6-30-15 |
| Program Revenues: | | |
| Charges for Services | $ 8,485,789 | $ 8,764,734 |
| Operating Grants and Contributions | 13,288,855 | 12,115,072 |
| Capital Grants and Contributions | 993,089 | 664,206 |
| General Revenues: | | |
| Property Taxes Levied for Operational Purposes | 86,459,721 | 86,345,288 |
| Property Taxes Levied for Capital Projects | 22,761,938 | 22,053,345 |
| Local Sales Tax | 21,003,294 | 19,937,353 |
| Grants and Contributions Not Restricted to Specific Programs | 183,362,584 | 174,111,799 |
| Unrestricted Investment Earnings | 817,032 | 132,037 |
| Miscellaneous | 5,064,417 | 8,639,347 |
| **Total Revenues** | 342,236,719 | 332,763,181 |
| Functions/Program Expenses: | | |
| Instruction | 157,511,024 | 154,394,979 |
| Student Personnel Services | 9,639,003 | 9,446,201 |
| Instructional Media Services | 3,760,019 | 3,596,830 |
| Instruction and Curriculum Development | 15,216,758 | 14,545,714 |
| Instructional Staff Training Services | 1,648,972 | 1,903,629 |
| Instruction Related Technology | 2,470,701 | 2,327,678 |
| Board | 1,000,491 | 1,158,770 |
| General Administration | 2,299,339 | 3,032,868 |
| School Administration | 19,687,035 | 19,306,371 |
| Facility Acquisition and Construction | 2,139,460 | 1,224,214 |
| Fiscal Services | 2,392,184 | 2,182,373 |
| Food Services | 12,105,248 | 12,969,602 |
| Central Services | 5,941,535 | 6,633,304 |
| Student Transportation Services | 12,685,516 | 12,764,569 |
| Operation of Plant | 19,168,787 | 19,679,952 |
| Maintenance of Plant | 8,843,049 | 8,769,744 |
| Administrative Technology Services | 5,155,485 | 4,865,146 |
| Community Services | 6,923,223 | 7,066,741 |
| Unallocated Interest on Long-Term Debt | 9,490,166 | 8,850,057 |
| Unallocated Depreciation Expenses | 17,427,820 | 16,500,829 |
| **Total Functions/Program Expenses** | 315,505,815 | 311,219,571 |
| **Increase in Net Position** | 26,730,904 | 21,543,610 |
| Net Position - Beginning | 131,258,790 | 225,479,371 |
| Adjustment to Restate Beginning Net Position | – | (115,764,191) |
| Net Position - Beginning - Restated | 131,258,790 | 109,715,180 |
| Net Position - Ending | $ 157,989,694 | $ 131,258,790 |




Key elements of the change in net position are as follows: Operating grants and contributions increased for the 2015-16 fiscal year by approximately $1.2 million due primarily to an increase in several Federal projects.

- Grants and contributions not restricted to specific programs increased approximately $4.7 million as a result of increased funding for the State's Florida Education Finance Program.
- Overall expenses increased $4.3 million.
- Instructional expense increased by approximately $3.1 million, primarily due to salary and benefits increases.




**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 $12.83 million while the total fund balance is $34.38 million. The total fund balance increased by $1.66 million during the 2015-16 fiscal year. The increase in fund balance is reflected by an increase of $424 thousand in the unassigned fund balance and $1.24 million in the assigned/restricted carryforward balances. Revenues and transfers exceeded expenditures by $1.66 million in FY 2016, compared to expenditures exceeding revenues and transfers by $1.36 million in FY 2015.

**<u>Special Revenue – Other Federal Fund:</u>** This fund has revenues totaling $21,007,093, which is restricted for grants program services.

**<u>Capital Projects – Capital Bond Fund:</u>** This fund has a total fund balance of $17,409,224, which is restricted for the acquisition, construction, and maintenance of capital assets.

**<u>Capital Projects - Other Capital Projects Fund:</u>** This fund has a total fund balance of $34,567,541, which is restricted for the acquisition, construction, and maintenance of capital assets.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Ending results of the final unassigned and assigned fund balances indicate the District far exceeded the minimum 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 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 $64.8 million is 25.1% of General Fund Revenues ($257.7 million). The unassigned and the assigned ending fund balance ($77.21 million) is 29.96% of General Fund revenues. The District exceeded the minimum 3% ($7.88 million) by $69.48 million with the combined unassigned and assigned fund balance, and it exceeded the minimum 3% by $56.92 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, 2016, amounts to $397,868,029 (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; and audio visual materials and computer software.

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

- New land purchase was made totaling approximately $100,000.
- Several renovations additions to schools and re-roofing projects were completed during the year totaling approximately $35 million.
- Purchase of 50 Compressed Natural Gas buses totaling $8.6 million.
- Disposal of portable buildings, equipment, and vehicles totaled approximately $11.7 million.
- Depreciation expense totaled $17,427,820.

**Capital Assets (Net of Depreciation)**

| | Governmental Activities | |
|---|---|---|
| | **6/30/2016** | **6/30/2015** |
| Land | $ 15,682,454 | $ 15,587,417 |
| Construction in Progress | 21,171,649 | 38,466,056 |
| Improvements Other Than Buildings | 10,739,945 | 11,705,232 |
| Buildings and Fixed Equipment | 319,368,666 | 268,664,678 |
| Furniture, Fixture, and Equipment | 13,876,278 | 10,660,004 |
| Motor Vehicles | 13,374,998 | 6,361,700 |
| Audio Visual Materials | 2,134,340 | 1,799,372 |
| Computer Software | 1,519,699 | 1,992,819 |
| **Total Capital Assets** | $ 397,868,029 | $ 355,237,278 |

Additional information on the District's capital assets can be found in Note 4. to the financial statements.

**Long-Term Debt**

At June 30, 2016, the District has $208,146,640 total capital asset-related debt outstanding. This amount is comprised of $121,995,240 of certificates of participation payable, $77,779,255 of bonds payable, $1,120,000 note payable, and $7,252,145 lease purchase agreement.

Other items classified as long-term liabilities, in the government-wide financial statements, include the compensated absences liability totaling $28,619,911, other postemployment benefits payable in the amount of $16,561,092, net pension liability $116,640,006 and estimated insurance claims payable totaling $4,214,849. The total debt outstanding is $374,182,498.

**Schedule of Outstanding Capital Asset Related Debt**

| | Governmental Activities | |
|---|---|---|
| | **6/30/2016** | **6/30/2015** |
| Notes Payable | $1,120,000 | $2,240,000 |
| Lease Purchase Agreement | 7,252,145 | 8,113,871 |
| State Schools/Sales Tax Bonds | 77,779,255 | 83,663,056 |
| Certificates of Participation | 121,995,240 | 131,188,259 |
| **Total Long Term Debt** | $ 208,146,640 | $ 225,205,186 |

Additional information on the District's long-term liabilities can be found in Note 12 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

# Leon County District School Board

## Statement of Net Position

June 30, 2016

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| **Assets** | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | $ 75,724,162 | $ 72,406 | $ 75,796,568 | $ 951,521 |
| Investments | 13,656,365 | - | 13,656,365 | - |
| Taxes receivable | - | - | - | 57,911 |
| Accounts receivable, net | 319,614 | - | 319,614 | 221,097 |
| Deposits receivable | - | - | - | 17,761 |
| Due from other agencies | 6,950,678 | - | 6,950,678 | 577,832 |
| Internal balances | 449,511 | - | 449,511 | - |
| Inventory | 1,590,708 | - | 1,590,708 | - |
| Prepaid items | - | - | - | 106,259 |
| Restricted assets: | | | | |
| Cash with fiscal agents | 16,839,981 | - | 16,839,981 | - |
| Investmemts with fiscal agents | 28,079,767 | - | 28,079,767 | - |
| Total current assets | 143,610,786 | 72,406 | 143,683,192 | 1,932,381 |
| Noncurrent assets: | | | | |
| Capital assets: | | | | |
| Nondepreciable capital assets | 36,854,103 | - | 36,854,103 | 1,433,046 |
| Depreciable capital assets, net | 361,013,926 | - | 361,013,926 | 13,881,141 |
| Total capital assets net of accumulated depreciation | 397,868,029 | - | 397,868,029 | 15,314,187 |
| Total assets | 541,478,815 | 72,406 | 541,551,221 | 17,246,568 |
| **Deferred outflows of resources** | | | | |
| Pension | 27,050,092 | - | 27,050,092 | 437,589 |
| Total deferred outflows of resources | 27,050,092 | - | 27,050,092 | 437,589 |
| Total assets and deferred outflows of resources | $ 568,528,907 | $ 72,406 | $ 568,601,313 | $ 17,684,157 |

*(continued)*

Leon County District School Board

Statement of Net Position (continued)

June 30, 2016

| | Primary Government | | | |
|---|---|---|---|---|
| | Governmental Activities | Business-type Activities | Total | Component Units |
| **Liabilities and net position** | | | | |
| **Liabilities** | | | | |
| Salaries and wages payable | $ 10,706,038 | $ - | $ 10,706,038 | $ 166,353 |
| Payroll deductions and withholdings | 2,701,246 | - | 2,701,246 | - |
| Accounts payable | 2,093,396 | 170 | 2,093,566 | 645,399 |
| Construction contracts retainage payable | 1,573,957 | - | 1,573,957 | - |
| Accrued interest payable | 3,000 | - | 3,000 | - |
| Deposits payable | 237,854 | - | 237,854 | - |
| Due to other agencies | 9,326 | - | 9,326 | 137,244 |
| Unearned revenue | - | - | - | 11,996 |
| Noncurrent liabilities: | | | | |
| Portion due within one year | 11,826,013 | - | 11,826,013 | 554,204 |
| Portion due after one year | 362,356,485 | - | 362,356,485 | 15,712,493 |
| Total liabilities | 391,507,315 | 170 | 391,507,485 | 17,227,689 |
| **Deferred inflows of resources** | | | | |
| Unearned revenue | 9,012 | - | 9,012 | - |
| Pension | 19,022,886 | - | 19,022,886 | 307,053 |
| Total deferred inflows of resources | 19,031,898 | - | 19,031,898 | 307,053 |
| **Net position** | | | | |
| Net investment in capital assets | 189,721,389 | - | 189,721,389 | 58,453 |
| *Restricted for:* | | | | |
| Debt service | 25,918,532 | - | 25,918,532 | - |
| Capital projects | 10,497,450 | - | 10,497,450 | - |
| Food service | 11,729,078 | - | 11,729,078 | - |
| Other purposes | 13,326,243 | - | 13,326,243 | 160,049 |
| Unrestricted | (93,202,998) | 72,236 | (93,130,762) | (69,087) |
| Total net position | 157,989,694 | 72,236 | 158,061,930 | 149,415 |
| Total liabilities, deferred inflows of resources and net position | $ 568,528,907 | $ 72,406 | $ 568,601,313 | $ 17,684,157 |

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

## Leon County District School Board

## Statement of Activities

### Year Ended June 30, 2016

| | | Program Revenues | | |
|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| **Functions** | | | | |
| Governmental activities: | | | | |
| Instruction | $ 157,511,024 | $ 6,843,541 | $ 1,098,342 | $ - |
| Student Support Services | 9,639,003 | - | - | - |
| Instructional Media Services | 3,760,019 | - | - | - |
| Instruction and Curriculum Development Services | 15,216,758 | - | - | - |
| Instructional Staff Training Services | 1,648,972 | - | - | - |
| Instruction-Related Technology | 2,470,701 | - | - | - |
| Board | 1,000,491 | - | - | - |
| General Administration | 2,299,339 | - | - | - |
| School Administration | 19,687,035 | - | - | - |
| Facilities Acquisition and Construction | 2,139,460 | - | - | 993,089 |
| Fiscal Services | 2,392,184 | - | - | - |
| Food Services | 12,105,248 | 1,642,248 | 12,190,513 | - |
| Central Services | 5,941,535 | - | - | - |
| Student Transportation Services | 12,685,516 | - | - | - |
| Operation of Plant | 19,168,787 | - | - | - |
| Maintenance of Plant | 8,843,049 | - | - | - |
| Administrative Technology Services | 5,155,485 | - | - | - |
| Community Services | 6,923,223 | - | - | - |
| Interest on Long-Term Debt | 9,490,166 | - | - | - |
| Unallocated Depreciation/Amortization Expense | 17,427,820 | - | - | - |
| Total governmental activities | 315,505,815 | 8,485,789 | 13,288,855 | 993,089 |
| Business-type activities: | | | | |
| Other business-type activity | 3,691 | - | - | - |
| Total business-type activities | 3,691 | - | - | - |
| Total primary government | $ 315,509,506 | $ 8,485,789 | $ 13,288,855 | $ 993,089 |
| Component units: | | | | |
| Charter schools and Foundation | $ 15,876,804 | $ 457,737 | $ 1,247,016 | $ 271,382 |
| Total component units | $ 15,876,804 | $ 457,737 | $ 1,247,016 | $ 271,382 |

**General Revenues:**

Taxes:

Property taxes, levied for operational purposes

Property taxes, levied for capital projects

Local sales taxes

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues, special items, extraordinary items, and transfers

Change in net position

Net position at beginning of year

Adjustments to net position

Net position at end of year

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

| Net (Expenses) Revenues and Changes in Net Position | | | |
|---|---|---|---|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| $ (149,569,141) | $ - | $ (149,569,141) | $ (5,832,713) |
| (9,639,003) | - | (9,639,003) | (185,095) |
| (3,760,019) | - | (3,760,019) | (25,930) |
| (15,216,758) | - | (15,216,758) | (17,021) |
| (1,648,972) | - | (1,648,972) | (28,384) |
| (2,470,701) | - | (2,470,701) | (121,422) |
| (1,000,491) | - | (1,000,491) | (100,042) |
| (2,299,339) | - | (2,299,339) | (893,226) |
| (19,687,035) | - | (19,687,035) | (1,461,009) |
| (1,146,371) | - | (1,146,371) | (210,890) |
| (2,392,184) | - | (2,392,184) | (207,061) |
| 1,727,513 | - | 1,727,513 | (18,174) |
| (5,941,535) | - | (5,941,535) | (56,123) |
| (12,685,516) | - | (12,685,516) | (167,866) |
| (19,168,787) | - | (19,168,787) | (2,191,789) |
| (8,843,049) | - | (8,843,049) | (387,643) |
| (5,155,485) | - | (5,155,485) | (55,506) |
| (6,923,223) | - | (6,923,223) | (40,174) |
| (9,490,166) | - | (9,490,166) | (833,163) |
| (17,427,820) | - | (17,427,820) | (23,869) |
| (292,738,082) | - | (292,738,082) | (12,857,100) |
| | | | |
| - | (3,691) | (3,691) | - |
| - | (3,691) | (3,691) | - |
| $ (292,738,082) | $ (3,691) | $ (292,741,773) | $ (12,857,100) |
| | | | |
| $ - | $ - | $ - | $ (13,900,669) |
| $ - | $ - | $ - | $ (13,900,669) |
| | | | |
| $ 86,459,721 | $ - | $ 86,459,721 | $ 2,081,035 |
| 22,761,938 | - | 22,761,938 | - |
| 21,003,294 | - | 21,003,294 | 144,475 |
| 183,362,584 | - | 183,362,584 | 11,692,036 |
| 817,032 | - | 817,032 | (5,025) |
| 5,064,417 | 178 | 5,064,595 | 212,514 |
| 319,468,986 | 178 | 319,469,164 | 14,125,035 |
| 26,730,904 | (3,513) | 26,727,391 | 224,366 |
| 131,258,790 | 75,749 | 131,334,539 | 585,390 |
| - | - | - | (660,341) |
| $ 157,989,694 | $ 72,236 | $ 158,061,930 | $ 149,415 |

# Leon County District School Board

## Balance Sheet - Governmental Funds

June 30, 2016

| | General | Special Revenue<br>Other Federal Programs | Capital Projects<br>District Bonds |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 42,278,246 | $ 258,788 | $ 227,155 |
| Investments | 3,574,344 | - | - |
| Taxes receivable, net | - | - | - |
| Accounts receivable, net | 283,065 | 491 | 2,605 |
| Due from other funds: | | | |
| Budgetary funds | 449,511 | - | - |
| Due from other agencies | 1,230,716 | 1,756,656 | - |
| Cash with fiscal/service agents | 100,000 | - | 16,632,709 |
| Investments with fiscal agents | - | - | 2,832,029 |
| Inventory | 925,611 | - | - |
| Total assets | $ 48,841,493 | $ 2,015,935 | $ 19,694,498 |
| **Liabilities, deferred inflows of resources, and fund balances** | | | |
| **Liabilities** | | | |
| Salaries, benefits, and payroll taxes payable | $ 9,810,041 | $ 859,259 | $ - |
| Payroll deductions and withholdings | 2,304,512 | 375,640 | - |
| Accounts payable | 1,023,702 | 189,966 | 772,398 |
| Construction contracts payable - retained percentage | - | - | 1,512,876 |
| Matured interest payable | - | - | - |
| Sales tax payable | 464 | - | - |
| Deposits payable | - | - | - |
| Due to other funds: | | | |
| Budgetary funds | 1,314,049 | 591,070 | - |
| Due to other agencies | 8,862 | - | - |
| Total liabilities | 14,461,630 | 2,015,935 | 2,285,274 |
| **Deferred inflows of resources** | | | |
| Unearned revenues | - | - | - |
| **Fund balances** | | | |
| Nonspendable: | | | |
| Inventory | 925,611 | - | - |
| Restricted for: | | | |
| Debt service funds | - | - | - |
| Capital projects | - | - | - |
| Other | 8,224,731 | - | - |
| Assigned to: | | | |
| Other | 12,400,632 | - | - |
| Unassigned fund balance | 12,828,889 | - | 17,409,224 |
| Total fund balances | 34,379,863 | - | 17,409,224 |
| Total liabilities, deferred inflows of resources, and fund balances | $ 48,841,493 | $ 2,015,935 | $ 19,694,498 |

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

| Capital Projects | Non-major | |
|---|---|---|
| Other Capital Projects | Other Governmental Funds | Total Governmental Funds |
| $ 20,800,329 | $ 12,159,644 | $ 75,724,162 |
| 10,038,131 | 43,890 | 13,656,365 |
| - | - | - |
| - | 33,453 | 319,614 |
| | | |
| 181,109 | 1,724,010 | 2,354,630 |
| 3,603,561 | 359,745 | 6,950,678 |
| 252 | 107,020 | 16,839,981 |
| - | 25,247,738 | 28,079,767 |
| - | 665,097 | 1,590,708 |
| $ 34,623,382 | $ 40,340,597 | $ 145,515,905 |
| | | |
| $ - | $ 36,738 | $ 10,706,038 |
| - | 21,094 | 2,701,246 |
| 32,495 | 74,835 | 2,093,396 |
| 23,346 | 37,735 | 1,573,957 |
| - | 3,000 | 3,000 |
| - | - | 464 |
| - | 237,854 | 237,854 |
| | | |
| - | - | 1,905,119 |
| - | - | 8,862 |
| 55,841 | 411,256 | 19,229,936 |
| | | |
| - | 9,012 | 9,012 |
| | | |
| - | - | 925,611 |
| | | |
| - | 25,918,532 | 25,918,532 |
| - | 10,497,450 | 10,497,450 |
| - | 3,504,347 | 11,729,078 |
| | | |
| - | - | 12,400,632 |
| 34,567,541 | - | 64,805,654 |
| 34,567,541 | 39,920,329 | 126,276,957 |
| | | |
| $ 34,623,382 | $ 40,340,597 | $ 145,515,905 |

# Leon County District School Board

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

June 30, 2016

| | |
|---|---|
| **Total fund balances - governmental funds** | $ 126,276,957 |
| Amounts reported for governmental activities in the governmental funds balance sheet 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. | 397,868,029 |
| 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. | 8,027,206 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | (374,182,498) |
| Total net position - governmental activities | $ 157,989,694 |

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

Leon County District School Board

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

Year ended June 30, 2016

| | | Special Revnue | Capital Projects |
|---|---|---|---|
| | General | Other Federal Programs | District Bonds |
| **Revenues** | | | |
| Federal direct | $ 237,062 | $ 1,833,154 | $ - |
| Federal through state and local | 56,177 | 19,173,939 | - |
| State sources | 158,962,013 | - | - |
| Local sources: | | | |
| Property taxes levied for operational purposes | 86,459,721 | - | - |
| Property taxes levied for capital projects | - | - | - |
| Local sales taxes | - | - | - |
| Other local revenue | 11,972,372 | - | 148,514 |
| Total local sources | 98,432,093 | - | 148,514 |
| Total revenues | 257,687,345 | 21,007,093 | 148,514 |
| **Expenditures** | | | |
| Current: | | | |
| Instruction | 150,846,817 | 9,759,561 | - |
| Pupil personnel services | 9,021,812 | 831,369 | - |
| Instructional media services | 3,836,587 | 9,095 | - |
| Instruction and curriculum development services | 10,284,658 | 5,287,785 | - |
| Instructional staff training services | 838,040 | 814,560 | - |
| Instruction related technology | 2,473,881 | 49,613 | - |
| School board | 1,005,373 | 6,403 | - |
| General administration | 1,257,780 | 1,066,067 | - |
| School administration | 20,140,565 | 34,441 | - |
| Facilities acquisition and construction | 1,274,723 | 878,123 | - |
| Fiscal services | 2,201,648 | - | - |
| Central services | 5,950,554 | 104,957 | - |
| Pupil transportation services | 12,851,120 | 81,428 | - |
| Operation of plant | 19,322,426 | 37,610 | - |
| Maintenance of plant | 8,990,286 | 3,660 | - |
| Administrative technology services | 5,249,819 | - | - |
| Community services | 4,921,725 | 2,042,421 | - |
| Debt service: | | | |
| Redemption of principal | - | - | - |
| Interest | - | - | - |
| Dues, fees, and issuance costs | - | - | - |
| Capital outlay: | | | |
| Facilities acquisition and construction | 522,742 | - | 41,727,003 |
| Other capital outlay | 17,351 | - | - |
| Total expenditures | 261,007,907 | 21,007,093 | 41,727,003 |
| **Excess (deficiency) of revenues over (under) expenditures** | (3,320,562) | - | (41,578,489) |
| **Other financing sources (uses)** | | | |
| Proceeds of lease purchase agreement | - | - | - |
| Payments to refunded bond escrow agent | - | - | - |
| Transfers in | 5,013,900 | - | - |
| Transfers out | (28,759) | - | - |
| Total other financing sources (uses) | 4,985,141 | - | - |
| Net change in fund balances | 1,664,579 | - | (41,578,489) |
| Fund balances, July 1, 2015 | 32,715,284 | - | 58,987,713 |
| Fund balances, June 30, 2016 | $ 34,379,863 | $ - | $ 17,409,224 |

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

| Capital Projects | Non-major | |
|---|---|---|
| Other Capital Projects | Other Governmental Funds | Total Governmental Funds |
| $ - | $ 2,596,156 | $ 4,666,372 |
| - | 12,036,656 | 31,266,772 |
| 250,000 | 2,499,371 | 161,711,384 |
| | | |
| - | - | 86,459,721 |
| - | 22,761,938 | 22,761,938 |
| 21,003,294 | - | 21,003,294 |
| 278,189 | 1,968,163 | 14,367,238 |
| 21,281,483 | 24,730,101 | 144,592,191 |
| 21,531,483 | 41,862,284 | 342,236,719 |
| | | |
| - | - | 160,606,378 |
| - | 12,232,111 | 22,085,292 |
| - | - | 3,845,682 |
| - | - | 15,572,443 |
| - | 19,538 | 1,672,138 |
| - | - | 2,523,494 |
| - | - | 1,011,776 |
| - | 1,621 | 2,325,468 |
| - | - | 20,175,006 |
| - | - | 2,152,846 |
| - | - | 2,201,648 |
| - | - | 6,055,511 |
| - | - | 12,932,548 |
| - | - | 19,360,036 |
| - | - | 8,993,946 |
| - | - | 5,249,819 |
| - | - | 6,964,146 |
| | | |
| - | 17,114,725 | 17,114,725 |
| - | 10,838,987 | 10,838,987 |
| - | 240,765 | 240,765 |
| | | |
| 13,343,128 | 4,703,569 | 60,296,442 |
| - | - | 17,351 |
| 13,343,128 | 45,151,316 | 382,236,447 |
| | | |
| 8,188,355 | (3,289,032) | (39,999,728) |
| | | |
| - | 58,410,000 | 58,410,000 |
| - | (57,005,000) | (57,005,000) |
| - | 20,461,436 | 25,475,336 |
| (7,508,950) | (17,937,627) | (25,475,336) |
| (7,508,950) | 3,928,809 | 1,405,000 |
| | | |
| 679,405 | 639,777 | (38,594,728) |
| 33,888,136 | 39,280,552 | 164,871,685 |
| $ 34,567,541 | $ 39,920,329 | $ 126,276,957 |

# Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities

Year ended June 30, 2016

| | |
|---|---|
| **Net change in fund balances - governmental funds** | $ (38,594,728) |
| Amounts reported for *governmental activities* in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period. | 60,296,442 |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments in the current period. | 15,709,725 |
| Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds. | (10,680,535) |
| Pension contributions are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as a pension expense. | - |
| Change in net position of governmental activities | $ 26,730,904 |

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

Leon County District School Board

# Statement of Net Position - Proprietary Fund

June 30, 2016

| | Enterprise Fund - District Permitting Office |
|---|---|
| **Assets** | |
| Current assets: | |
| Cash and cash equivalents | $ 72,406 |
| Total assets | $ 72,406 |
| **Liabilities** | |
| Current liabilities: | |
| Accounts payable | $ 170 |
| Total liabilities | 170 |
| **Net position** | |
| Unrestricted | 72,236 |
| Total net position | 72,236 |
| Total liabilities and net position | $ 72,406 |

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

Leon County District School Board

## Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund

Year ended June 30, 2016

| | Enterprise Fund - District Permitting Office |
|---|---|
| **Operating Revenues** | |
| Charges for services | $ - |
| Charges for sales | - |
| Total operating revenues | - |
| | |
| **Operating Expenses** | |
| Purchased services | 2,328 |
| Materials and supplies | 208 |
| Capital outlay | - |
| Other expenses | 1,155 |
| Total operating expenses | 3,691 |
| | |
| Operating loss | (3,691) |
| | |
| **Nonoperating revenues** | |
| Interest revenue | 26 |
| Miscellaneous local sources | 152 |
| Total nonoperating revenues | 178 |
| | |
| **Change in net position** | (3,513) |
| Net position - beginning | 75,749 |
| Net position - ending | $ 72,236 |

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

Leon County District School Board

# Statement of Cash Flows - Proprietary Fund

Year ended June 30, 2016

| | Enterprise Fund - District Permitting Office |
|---|---|
| **Cash flows from operating activities** | |
| Other receipts (payments) | $ (3,821) |
| Net cash used in operating activities | (3,821) |
| | |
| **Cash flows from investing activities** | |
| Interest and dividends received | 26 |
| Other receipts | 152 |
| Net cash provided by investing activities | 178 |
| | |
| Net decrease in cash and cash equivalents | (3,643) |
| Cash and cash equivalents - beginning | 76,049 |
| Cash and cash equivalents - ending | $ 72,406 |
| | |
| **Reconciliation of operating loss to net cash used in operating activities:** | |
| Operating loss | $ (3,691) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Change in assets and liabilities: | |
| Decrease in accounts payable | (130) |
| Total adjustments | (130) |
| | |
| Net cash used in operating activities | $ (3,821) |

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

Leon County District School Board

# Statement of Fiduciary Net Position - Fiduciary Funds

June 30, 2016

| | Voluntary Employee Benefits Trust Funds | Frank Stoutamire Private -Purpose Trust Funds | Internal Accounts Agency Funds |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | $ 12,208,536 | $ 39,983 | $ 4,571,904 |
| Accounts receivable, net | 82,745 | - | 39,545 |
| Investments | 3,350 | - | - |
| Total assets | $ 12,294,631 | $ 39,983 | $ 4,611,449 |
| **Liabilities** | | | |
| Payroll deductions and withholdings | $ 7,259,559 | $ - | $ - |
| Due to other funds - budgetary | - | - | 449,511 |
| Internal accounts payable | - | - | 4,161,938 |
| Total liabilities | 7,259,559 | - | 4,611,449 |
| **Net position** | | | |
| Assets held in trust for employee benefits | 5,035,072 | - | - |
| Assets held in trust for scholarships and other purposes | - | 39,983 | - |
| Total net position | 5,035,072 | 39,983 | - |
| Total liabilities and net position | $ 12,294,631 | $ 39,983 | $ 4,611,449 |

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

# Leon County District School Board

## Statement of Changes in Fiduciary Net Position - Fiduciary Funds

Year ended June 30, 2016

| | Voluntary Employee Benefits Trust Funds | Frank Stoutamire Private-Purpose Trust Funds |
|---|---|---|
| **Additions** | | |
| Contributions: | | |
| Employer | $ 20,478,785 | $ - |
| Plan members | 18,848,733 | - |
| Investment earnings: | | |
| Interest | 20,606 | 14 |
| Total investment earnings, net | 20,606 | 14 |
| Total additions | 39,348,124 | 14 |
| **Deductions** | | |
| Purchased services | 25,702 | - |
| Payments to providers | 38,875,682 | - |
| Total deductions | 38,901,384 | - |
| **Change in net position** | 446,740 | 14 |
| Net position - beginning | 4,588,332 | 39,969 |
| Net position - ending | $ 5,035,072 | $ 39,983 |

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Leon County District School Board (District) conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the significant accounting policies and is an integral part of these general purpose financial statements.

### Reporting Entity

The District has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of Leon County.

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

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

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

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

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

Blended Component Units (continued)

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:

The Foundation for Leon County Schools, Inc. (Foundation)

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 the Arts and Sciences (a charter school under the School of Arts and Sciences Foundation, Inc.)
- The School of Arts and Sciences at the Centre (a charter school under the School of Arts and Sciences Foundation, Inc.)
- Imagine – Leon County, LLC
- Stars Education Services, Inc. (d/b/a Tallahassee School of Math and Science)
- Governors Charter Academy, a department of Renaissance Charter School, Inc.
- The Woodville Educational Foundation, Inc. (d/b/a The Woodville Middle School of Leadership through History and Civics)

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

**Charter Schools (continued)**

The School of Arts and Sciences Foundation, Inc.; Stars Education Services, Inc.; Governors Charter Academy; and The Woodville Educational Foundation, Inc. are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. Imagine-Leon County, LLC is organized as a limited liability company pursuant to Chapter 608, Florida Statutes, the Florida Limited Liability Company Act, and Section 1002.23, Florida Statutes. Each charter school operates under a charter approved by its sponsor, the Board. A portion of these not-for-profit corporations' funding comes from the District based on their weighted full-time equivalent student membership and the Legislature approved funding for the 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 District established the charter schools by approval of the charters, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, charter schools are public schools and the District is responsible for the operation, control and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the Foundation's and charter schools' audited financial statements for the fiscal year ended June 30, 2016. These audit reports are filed in the District's administrative offices.

**Basis of Presentation**

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

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

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

**Basis of Presentation (continued)**

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

Special Revenue – Other Federal Programs Fund – to account for certain Federal grant program resources.

Capital Projects – District Bonds Fund – to account for the financial resources generated by the Sales Tax Revenue Bond, Series 2014 to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Capital Projects – Other Capital Projects Fund – to account for the 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 – 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.

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

**Basis of Presentation (continued)**

Private-Purpose Trust Fund – to account for resources of the Frank Stoutamire Scholarship Trust Fund, the interest earnings of which are used for scholarships to students at Lively Technical Center.

Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

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

**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.

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

**Basis of Accounting (continued)**

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 fiscal 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 and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary 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 their assets and liabilities.

The Foundation is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

The charter schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

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

### Deposits and Investments

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

All other investments consist of United States Treasury Securities and money market funds. Types and amounts of investments held at fiscal year-end are described in a subsequent note.

### 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 their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

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

### Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Interest 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:

| Description | Estimated Life |
|---|---|
| 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 |
| Computer software | 5 years |

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

### Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. Bonds payable and certificates of participation payable are reported net of the applicable premiums. Bonds and certificates of participation premiums 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. Changes in long-term liabilities for the current year are reported in a subsequent note.

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

**Pension**

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

**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.

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

### Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported committed fund balances of $0 at June 30, 2016.

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

### 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.

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

**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 five months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal 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 fiscal year when the adjustments are made.

The State provides financial assistance to administer certain educational programs. SBE rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following fiscal year to be expended for the same educational programs. The 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 a subsequent note.

**District Property Taxes**

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

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

The Board adopted the 2016 tax levy on September 8, 2015. 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.

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

**District Property Taxes (continued)**

Taxes become a lien on the property on January 1, and are delinquent on April 1, of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

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

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

**Capital Outlay Surtax**

On November 6, 2012, the voters of Leon County (County) approved 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**

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 for the current portion of compensating absences expected to be paid using expendable available resources.

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

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

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

## 2. ACCOUNTING CHANGES AND PRIOR PERIOD ADJUSTMENTS

**Governmental Accounting Standards Board (GASB) Statement No. 68**

A District charter school, reported as a component unit, implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB No. 68 requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of net pension liabilities of the defined benefit pension plans, which includes restating beginning net position. As such, the beginning net position of the District's component unit decreased by $660,341 as a result of the implementation.

**Governmental Accounting Standards Board (GASB) Statement No. 72**

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. The District has implemented this Statement for the fiscal year ending June 30, 2016.

## 3. DEPOSITS AND INVESTMENTS

At June 30, 2016, the District had the following investments and investments with fiscal agent:

| | | Fair Value Measurements at Reporting Date Using Quoted Prices | | |
|---|---|---|---|---|
| **Investments by fair value level** | **Amounts Measured at Fair Value** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| U.S. Government Agencies | $ 11,990,480 | $ - | $ 11,990,480 | $ - |
| Corporate Bonds | 2,480,472 | - | 2,480,472 | - |
| Municipal Bonds | 1,965,601 | - | 1,965,601 | - |
| Total investments by fair value level | 16,436,553 | $ - | $ 16,436,553 | $ - |
| | | | | |
| **Investments reported at amortized cost:** | | | | |
| Money Market | 25,160,971 | | | |
| Florida Prime (SBA) | 57,881 | | | |
| SBA Debt Service | 42,010 | | | |
| Other | 38,717 | | | |
| Total investments reported at amortized cost | 25,299,579 | | | |
| Total Investments and Investments with fiscal agents, Primary Government | $ 41,736,132 | | | |

The District's recurring fair value measurements are valued using quoted prices for similar assets in active markets or identical or similar assets in inactive markets (Level 2 inputs). Florida Prime, SBA Debt Service, and Money Market funds are reported at amortized cost. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net position.

Certain investments are measured at fair value using the net asset value per share (or its equivalent) and have not been classified in the fair value hierarchy. All investments may be redeemed without advance notice and there are no limitations as to the frequency of redemptions for any investment pool. The District has no unfunded commitments to invest in any investment pool.

### Interest Rate Risk

Interest rate risk is the risk that changes in investment rates will adversely affect the fair value of an investment. District policies limit the maturity of investments to a 5 year weighted average life as a means of limiting its exposure to fair value losses arising from rising interest rates.

**3. DEPOSITS AND INVESTMENTS (continued)**

The District has $16,436,553 in U.S. Government Agencies, Corporate Bonds and Municipal Bonds. These securities included embedded options to call the entire security or a portion thereof, at the option of the issuer; or, depending on market conditions, the issuer may decide to leave the security intact, at stated interest rate, until final maturity. These securities have various call dates with final maturity dates being December 2051.

| | Investment Maturities | | | | |
|---|---|---|---|---|---|
| Investment | Fair Value | Less than 1 Year | 1 to 5 years | 6 to 10 Years | Over 10 Years |
| Money Market | $ 25,160,971 | $ 25,160,971 | $ - | $ - | $ - |
| U.S. Government Agencies | 11,990,480 | 3,450,556 | 7,314,159 | 13,275 | 1,212,489 |
| Corporate Bonds | 2,480,472 | 500,848 | 1,979,625 | - | - |
| Municipal Bonds | 1,965,601 | 1,197,505 | 768,096 | - | - |
| Florida Prime (SBA) | 57,881 | 57,881 | - | - | - |
| SBA District Bonds | 42,010 | 42,010 | - | - | - |
| Other | 38,717 | 38,717 | - | - | - |
| Total Investments, Reporting Entity | $ 41,736,132 | $ 30,448,488 | $ 10,061,880 | $ 13,275 | $ 1,212,489 |

## Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchanges 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 states that it shall be the responsibility of the Superintendent or his authorized representative to promptly invest temporarily idle funds in the most efficient manner in those legal instruments prescribed by law, so as to earn the best return on those funds.

Investments authorized by District policy are:

a. Direct Obligation of the United States Treasury;
b. U.S. Government Sponsored Agencies or Federal Instrumentalities;
c. Investments in the Florida Prime Fund;
d. Certificates of Deposit and Savings Accounts;
e. Repurchase Agreements;
f. State and/or Local Government Taxable or Tax-Exempt Debt;
g. Corporate Securities;
h. Commercial Paper
i. Mutual Funds;

**3. DEPOSITS AND INVESTMENTS (continued)**

Section 218.415(18), Florida Statues, 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 a book entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other State or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District's $16,436,553 investments in U.S. Government Agencies, Corporate Bonds and Municipal Bonds are held by the safekeeping agent, in the name of the District.

**Concentration of Credit Risk**

The District measures credit quality using the Standard and Poor's rating scale. As of June 30, 2016, the District's investment in U.S. Government Agencies, Corporate and Municipal Bonds is as follows:

| Quality Breakdown | Portfolio Percentage |
|---|---|
| US Treasury | 30.11% |
| US Agency | 42.67 |
| AAA | 7.40 |
| AA | 17.76 |
| A | 0.00 |
| BBB | 0.00 |
| Other | 2.06 |
| Total | 100.00% |

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 District's investment in Florida PRIME is rated AAAm by Standard and Poor's.

The District's investment in First American Government Obligations Money Market Fund are rated AAAm by Standard and Poor's.

The District's investments in the Fidelity Institutional Money Market Fund – Federal Government Portfolio – Class I is rated AAA-mf by Moody's Investors Service.

## 4. CAPITAL ASSETS

**Changes in Capital Assets**

Changes in capital assets are presented in the table below:

| Governmental Activities | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 |
|---|---|---|---|---|
| Non-Depreciable Capital Assets: | | | | |
| Land | $ 15,587,417 | $ 95,037 | $ - | $ 15,682,454 |
| Construction-in-Progress | 38,466,056 | 42,590,988 | (59,885,395) | 21,171,649 |
| Total Non-Depreciable Assets | $ 54,053,473 | $ 42,686,025 | $ (59,885,395) | $ 36,854,103 |
| Depreciable Assets: | | | | |
| Improvements Other Than Buildings | $ 36,369,097 | $ 19,390 | $ - | $ 36,388,487 |
| Buildings and Fixture Equipment | 458,783,118 | 61,766,698 | - | 520,549,816 |
| Furniture, Fixture & Equipment | 54,201,328 | 6,232,360 | (10,678,736) | 49,754,952 |
| Motor Vehicles | 25,723,767 | 8,650,293 | (411,972) | 33,962,088 |
| Audio Visual Materials | 5,791,476 | 750,915 | (691,064) | 5,851,327 |
| Computer Software | 2,818,342 | 76,156 | (159,850) | 2,734,648 |
| Total Depreciable Assets | 583,687,128 | 77,495,812 | (11,941,622) | 649,241,318 |
| Less Accumulated Depreciation: | | | | |
| Improvements Other Than Buildings | 24,663,865 | 984,677 | - | 25,648,542 |
| Buildings and Fixture Equipment | 190,118,440 | 11,062,710 | - | 201,181,150 |
| Furniture, Fixture & Equipment | 43,541,324 | 2,802,882 | (10,465,532) | 35,878,674 |
| Motor Vehicles | 19,362,067 | 1,636,365 | (411,342) | 20,587,090 |
| Audio Visual Materials | 3,992,104 | 403,263 | (678,380) | 3,716,987 |
| Computer Software | 825,523 | 537,923 | (148,497) | 1,214,949 |
| Total Accumulated Depreciation | 282,503,323 | 17,427,820 | (11,703,751) | 288,227,392 |
| Net Depreciable Capital Assets | $ 301,183,805 | $ 60,067,992 | $ (237,871) | $361,013,926 |
| Governmental Activities Capital Assets | $ 355,237,278 | $ 102,754,017 | $ (60,123,266) | $397,868,029 |

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.

## 5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS

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

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

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 nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The District's pension expense totaled $7,795,657 for the 2015-16 fiscal year.

### FRS Pension Plan

The FRS Pension Plan (Plan) is a cost-sharing multiple-employer 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.

**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**FRS Pension Plan (continued)**

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. 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. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

**Benefits Provided**

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

**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**Benefits Provided (continued)**

The following chart shows the percentage value for each year of service credit earned:

| Class, Initial Enrollment, and Retirement Age/Years of Service | % Value |
|---|---|
| **Regular Class members initially enrolled before July 1, 2011** | |
| Retirement up to age 62 or up to 30 years of service | 1.60 |
| Retirement at age 63 or with 31 years of service | 1.63 |
| Retirement at age 64 or with 32 years of service | 1.65 |
| Retirement at age 65 or with 33 or more years of service | 1.68 |
| **Regular Class members initially enrolled on or after July 1, 2011** | |
| Retirement up to age 65 or up to 33 years of service | 1.60 |
| Retirement at age 66 or with 34 years of service | 1.63 |
| Retirement at age 67 or with 35 years of service | 1.65 |
| Retirement at age 68 or with 36 or more years of service | 1.68 |
| **Special Risk Regular** | |
| Service from December 1, 1970 through September 30, 1974 | 2.00 |
| Service on or after October 1, 1974 | 3.00 |
| **Senior Management Service Class** | 2.00 |
| **Elected Officers' Class** | 3.00 |

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

## 5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)

**Contributions**

Prior to July 1, 2011, the FRS was noncontributory for employees. Beginning July 1, 2011, employees who are not participating in DROP are required to contribute 3% of their salary to the FRS. The District is required to contribute at an actuarially-determined rate. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates for the 2015-2016 fiscal year were as follows:

| | Percent of Gross Salary | |
|---|---|---|
| **Class** | **Employee** | **Employer (1)** |
| FRS, Regular | 3.00 | 7.26 |
| FRS, Senior Management Services | 3.00 | 21.43 |
| Elected Officers | 3.00 | 42.27 |
| FRS, Special Risk | 3.00 | 22.04 |
| Deferred Retirement Option Program – Applicable to Members from All of the Above Classes | N/A | 12.88 |
| FRS Reemployed Retiree | (2) | (2) |

Notes: *(1) These Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.*

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

The District's contributions to the defined benefit pension plan totaled $9,651,225 for the fiscal year ended June 30, 2016, excluding HIS plan contributions.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the District reported a liability of $58,092,266 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.449757910 percent, which was a decrease of 0.01414627 percent from its proportionate share measured as of June 30, 2014.

**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

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

For the fiscal year ended June 30, 2016, the District recognized pension expense of $3,783,003. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 6,132,823 | $ 1,377,772 |
| Change of assumptions | 3,855,779 | – |
| Net difference between projected and actual earnings on FRS pension plan investments | – | 13,871,461 |
| Changes in proportion and differences between District FRS contributions and proportionate share of contributions | – | 1,943,070 |
| District FRS contributions subsequent to the measurement date | 9,651,225 | – |
| Total | $ 19,639,827 | $ 17,192,303 |

The deferred outflows of resources related to pensions totaling $9,651,225 resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Net Deferred Outflows (Inflows) of Resources |
|---|---|
| 2017 | $ (1,777,754) |
| 2018 | (1,777,754) |
| 2019 | (1,777,754) |
| 2020 | (1,777,754) |
| 2021 | (1,764,239) |
| Thereafter | 1,671,554 |
| Total | $ (7,203,701) |

**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**Actuarial Assumptions**

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.60 percent |
| Salary Increases | 3.25 percent, including inflation |
| Investment rate of return | 7.65 percent, net of pension plan investment expense, including inflation |

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

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013. There were no changes in actuarial assumptions for the year ended June 30, 2016.

## 5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)

**Actuarial Assumptions (continued)**

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

| Asset Class | Target Allocation [1] | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|---|---|---|---|---|
| Cash | 1.0% | 3.2% | 3.1% | 1.7% |
| Fixed Income | 18.0% | 4.8% | 4.7% | 4.7% |
| Global Equity | 53.0% | 8.5% | 7.2% | 17.7% |
| Real Estate (Property) | 10.0% | 6.8% | 6.2% | 12.0% |
| Private Equity | 6.00% | 11.9% | 8.2% | 30.0% |
| Strategic Investments | 12.0% | 6.7% | 6.1% | 11.4% |
| | 100.0% | | | |
| Assumed Inflation – Mean | | 2.6% | | 2.0% |

[1] As outlined in the Plan's investment policy

## 5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)

**Discount Rate**

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

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 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 (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

| | 1% Decrease 6.65% | Current Discount Rate 7.65% | 1% Increase 8.65% |
|---|---|---|---|
| District's proportionate share of the net pension liability - FRS | $ 150,530,200 | $ 58,092,266 | $ (18,831,278) |

**Pension Plan Fiduciary Net Position**

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

**HIS Pension Plan**

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

**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**Benefits Provided**

For the fiscal year ended June 30, 2016, 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 Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statues. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled $2,772,392 for the fiscal year ended June 30, 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the District reported a net pension liability of $58,547,740 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.5741 percent, which was a decrease of 0.001 percentage from its proportionate share measured as of June 30, 2014.

**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

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

For the fiscal year ended June 30, 2016, the District recognized pension expense of $4,012,654. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Change of assumptions | $ 4,606,179 | $ – |
| Net difference between projected and actual earnings on HIS pension plan investments | 31,694 | – |
| Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions | – | 1,830,583 |
| District contributions subsequent to the measurement date | 2,772,392 | – |
| Total | $ 7,410,265 | $ 1,830,583 |

The deferred outflows of resources totaling $2,772,392 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 fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Net Deferred Outflows (Inflows) of Resources |
|---|---|
| 2017 | $ 296,940 |
| 2018 | 296,940 |
| 2019 | 296,940 |
| 2020 | 296,940 |
| 2021 | 296,940 |
| Thereafter | 1,322,590 |
| Total | $ 2,807,290 |

**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**Actuarial Assumptions**

The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.60 percent |
| Salary Increases | 3.25 percent, including inflation |
| Municipal Bond Rate | 3.80 percent |

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

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013. As of June 30, 2015, the municipal rate used to determine total pension liability decreased from 4.29% to 3.80%

**Discount Rate**

The discount rate used to measure the total pension liability was 3.80 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 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 3.80 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 (2.80 percent) or 1 percentage point higher (4.80 percent) than the current rate:

| | 1% Decrease (2.80%) | Current Discount Rate (3.80%) | 1% Increase (4.80%) |
|---|---|---|---|
| District's proportionate share of the net pension liability – HIS | $ 66,712,424 | $ 58,547,740 | $ 51,739,618 |

**5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)**

**Pension Plan Fiduciary Net Position**

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

**FRS Investment Plan**

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees already participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions 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 member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, 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.

## 5. RETIREMENT PLANS – DEFINED BENEFIT PENSION PLANS (continued)

### FRS Investment Plan (continued)

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5 year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

The District's Investment Plan pension expense totaled $1,268,487 for the fiscal year ended June 30, 2016.

## 6. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

### Plan Description

The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, 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.

### Funding Policy

Plan contribution requirements of the District and OPEB Plan members are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2015-2016 fiscal year, 306 retirees received other postemployment benefits. The District's contribution to the OPEB obligation is the implicit subsidy for the retirees, which was $1,745,907. This amount was comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, reinsurance premiums, and net of retiree contributions totaling $2,206,818, which represents 1.8 percent of covered payroll.

### Annual OPEB Cost and Net OPEB Obligation

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

## 6. OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)

**Annual OPEB Cost and Net OPEB Obligation (continued)**

The following table shows the District's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the District's net OPEB obligation:

| Description | |
|---|---|
| Normal Cost (service cost for one year) | $ 1,073,649 |
| Amortization of Unfunded Actuarial Accrued Liability | 2,080,170 |
| Annual Required Contribution | 3,153,819 |
| Interest on Net OPEB Obligation | 526,682 |
| Adjustment to Annual Required Contribution | (1,333,548) |
| Annual OPEB cost (expense) | 2,346,953 |
| Contribution Toward the OPEB Cost | (1,745,907) |
| Increase in Net OPEB Obligation | 601,046 |
| Net OPEB Obligation, July 1, 2015 | 15,960,046 |
| Net OPEB Obligation, June 30, 2016 | $ 16,561,092 |

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2016, and the two preceding fiscal years, were as follows:

| Fiscal Year | Annual OPEB Cost | Amount Contributed | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| 2013 – 2014 | $ 2,735,532 | $ 1,648,639 | 60.27% | $ 14,865,279 |
| 2014 – 2015 | $ 2,764,980 | $ 1,670,213 | 60.41% | $ 15,960,046 |
| 2015 – 2016 | $ 2,346,953 | $ 1,745,907 | 74.39% | $ 16,561,092 |

**Funded Status and Funding Progress**

As of October 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was $24,494,807, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $24,494,807 and a funded ratio of zero percent (0.00%). The covered payroll (annual payroll of active participating employees) was $119,756,603, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 20.45 percent.

## 6. OTHER POSTEMPLOYMENT BENEFITS PAYABLE (continued)

**Funded Status and Funding Progress (continued)**

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 and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Actuarial Methods and Assumptions**

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

The District's OPEB actuarial valuation as of October 1, 2015, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2016, and the District's 2015-2016 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.30 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year, and an annual healthcare cost trend rate of 7.0 percent for the 2015-2016 fiscal year, reduced to an ultimate rate of 4.46 percent after 25 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2016, was 12 years.

## 7. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

**Encumbrances**

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

The following is a schedule of encumbrances at June 30, 2016:

| | Major Funds | | | | | |
|---|---|---|---|---|---|---|
| | General | Special Revenue Other | Capital Projects District Bonds | Capital Projects Other | Nonmajor Governmental Funds | Total Governmental Funds |
| Encumbrances | $2,111,237 | $248,448 | $916,355 | $4,468 | $ 756,261 | $ 4,036,769 |

**Construction Contracts**

Encumbrances include the following major construction contract commitments at June 30, 2016:

| | Projects | Contract Amount | Completed To Date | Balance Committed |
|---|---|---|---|---|
| Buck Lake | Site, New Wing, Dining, Kitchen Expansion and Remodeling | $ 6,807,933 | $ 6,799,745 | $ 8,188 |
| Deerlake | HVAC Bldg 1 and 5, Expand/Remodel Admin, drop off canopy | 2,886,053 | 888,921 | 1,997,132 |
| Desoto Trail | Site, New Wing, Dining, Kitchen Expansion and Remodeling | 6,630,761 | 4,551,980 | 2,078,781 |
| Gilchrist | Classroom Wing, Site, renovate Bldg 1 | 5,011,468 | 3,689,901 | 1,321,567 |
| Ruediger | Renovate / Remodel, Site, New Dining | 3,484,811 | 1,687,128 | 1,797,683 |
| WT Moore | New Construction | 3,269,948 | 2,144,722 | 1,125,226 |
| TOTAL | | $ 28,090,974 | $ 19,762,397 | $ 8,328,577 |

## 7. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (continued)

### Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property protection, workers' compensation, automobile liability, and general liability coverage are being provided on a self-insured basis up to specified limits. The District has entered into agreements with various insurance companies to provide specific excess coverage 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 District's self-insurance programs, including the processing, investigating, and payment of claim.

A liability in the amount of $4,214,849 was actuarially determined to cover estimated incurred but not reported insurance claims payable at June 30, 2016.

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

| Fiscal Year | Beginning of Fiscal Year Liability | Current Year Claims and Changes in Estimates | Claims Payments | Balance at Fiscal Year End |
|---|---|---|---|---|
| 2014 – 2015 | $ 6,325,022 | $ (584,104) | $ (1,260,698) | $ 4,480,220 |
| 2015 – 2016 | $ 4,480,220 | $ 1,016,861 | $ (1,282,232) | $ 4,214,849 |

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.

## 8. LONG-TERM LIABILITIES

**Note Payable**

| Description | Amount Outstanding | Interest Rate | Final Maturity |
|---|---|---|---|
| Section 1011.14 FL Statutes, Note: School Buses | $ 1,120,000 | 1.56% | October 1, 2016 |

The District entered into a financing arrangement on November 9, 2011, under the provision of Section 1011.14, Florida Statutes, which authorizes district school boards to create obligations for a period of one year, in anticipation of budgeted revenues accruing on a current basis, without pledging the credit of the District or requiring future levy of taxes for certain purposes. These obligations may be extended from year to year, with the consent of the lender, for a period not to exceed four years, for a total of five years, including the initial year of the loan. This obligation was undertaken to purchase 30 Compressed Natural Gas school buses and is due on October 1, 2016.

Amounts payable for the planned extended repayment of the Section 1011.14, Florida Statutes, bank loan are as follows

| Fiscal Year Ending June 30 | Total | Principal | Interest |
|---|---|---|---|
| 2017 | $ 1,128,753 | $ 1,120,000 | $ 8,753 |

**Lease Purchase Agreement**

| Description | Amount Outstanding | Interest Rate | Final Maturity |
|---|---|---|---|
| Lease Purchase Agreement: School Buses | $ 7,252,145 | 2.033% | October 1, 2023 |

## 8. LONG-TERM LIABILITIES (continued)

**Lease Purchase Agreement (continued)**

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 buses.

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

| Fiscal Year Ending June 30 | Total | Principal | Interest |
|---|---|---|---|
| 2017 | $ 991,397 | $ 843,961 | $ 147,436 |
| 2018 | 991,397 | 861,119 | 130,278 |
| 2019 | 991,397 | 878,626 | 112,771 |
| 2020 | 991,397 | 896,488 | 94,909 |
| 2021 | 991,397 | 914,714 | 76,683 |
| 2022 - 2025 | 2,974,194 | 2,857,237 | 116,957 |
| | $ 7,931,179 | $ 7,252,145 | $ 679,034 |

## 9. CERTIFICATES OF PARTICIPATION

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

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

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

**9. CERTIFICATES OF PARTICIPATION (continued)**

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

On March 6, 2008, the master financing arrangement was amended and the Leasing Corporation issued COPs, Series 2008A QZABs, in the amount of $5,000,000. The QZABs were issued to secure financing of improvements to be made at three District schools.

On July 25, 2008, the master financing arrangement was amended and the Corporation issued COPs, Series 2008B QZABs, in the amount of $15,000,000. The QZABs were issued to secure financing of improvements to be made at three District schools.

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

On December 28, 2010, the master financing arrangement was amended and the Corporation issued COPs, Series 2010 QZABs, in the amount of $33,209,140. The QZABs were issued to secure financing of improvements to be made at ten District schools.

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

As a condition of the financing arrangements, the District gave ground leases on District properties to the Leasing Corporation, with a rental fee of $10 per year. The initial terms of the leases are approximately 35 years commencing on October 1, 1997 (Series 1997); 16 years commencing on November 1, 2004 (Series 2004 QZABs); 17 years commencing on March 1, 2005 (Series 2005, Refunding); 20 years commencing June 15, 2006 (Series 2006); 16 years commencing on March 6, 2009 (Series 2008A QZABs); 15 years commencing on July 25, 2008 (Series 2008B QZABs); 15 years commencing on July 1, 2012 (Series 2010 QSCBs); 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.

**9. CERTIFICATES OF PARTICIPATION (continued)**

The District properties included in the ground leases under these arrangements include the Lawton Chiles High School (Series 1997 and Series 2005, Refunding); technology equipment at 24 District school sites as listed in the lease schedule for the Series 2004 QZABs; construction of Montford Middle School, Conley Elementary School, and renovations to Pineview Elementary School, Deerlake Middle School, Killearn Lakes Elementary School, Lawton Chiles High School and Lincoln High School (Series 2006); technology-related improvements at Riley Elementary School, Griffin Middle School, and Godby High School (Series 2008A QZABs and Series 2008B QZABs); new construction at Gilchrist Elementary School, Killearn Lakes Elementary School, Kate Sullivan Elementary School, and Gretchen Everhart School (Series 2010 QSCBs); and renovations at Astoria Park Elementary School, Canopy Oaks Elementary School, Ft. Braden School, Oak Ridge Elementary School, Sabal Palm Elementary School, Springwood Elementary School, Woodville Elementary School, Fairview Middle School, Raa Middle School, and Rickards High School (Series 2010 QZABs).

The Series 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, 2020, with interest paid by the Federal government in the form of annual tax credits to the holders of the COPs. The lease payments for the Series 2005, Refunding, and Series 2006 are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 2.5 to 4.25 percent and 3.625 to 4.5 percent, respectively. The lease payments for the Series 2008A QZABs are payable annually on March 9 at a fixed interest rate of 0.19 percent. The lease payments for the Series 2008B QZABs are payable annually on July 25 at a fixed interest rate of 1.7 percent. The lease payment for the Series 2010 QSCBs are payable annually on September 1 at a fixed rate of 4.84 percent. The lease payments for the Series 2010 QZABs are payable annually on December 1 at a fixed interest rate of 5.68 percent. Both the Series 2010 QSCBs and the Series 2010 QZABs receive a Federal subsidy at the same rate of interest as the bond, resulting in a net zero percent cost to the District.

The Series 2010 QZABs include a 10% matching contribution, based on the amount issued, in the form of cash or in-kind contributions pledged by various vendors. The total amount of contributions received as of June 30, 2016 is $59,450 in cash contributions and $164,142.54 in in-kind contributions.

## 9. CERTIFICATES OF PARTICIPATION (continued)

A schedule of future minimum lease payments under the lease agreement together with the present value of minimum lease payments is as follows:

| Fiscal Year Ending June 30 | Total | Principal | Interest |
|---|---|---|---|
| 2017 | $ 4,978,743 | $ 1,312,000 | $ 3,666,743 |
| 2018 | 10,394,294 | 6,507,000 | 3,887,294 |
| 2019 | 10,371,438 | 6,597,000 | 3,774,438 |
| 2020 | 10,356,855 | 6,697,000 | 3,659,855 |
| 2021 | 13,648,500 | 10,105,000 | 3,543,500 |
| 2022 – 2026 | 48,792,171 | 32,866,000 | 15,926,171 |
| 2027 – 2029 | 64,032,582 | 57,911,240 | 6,121,342 |
| | $ 162,574,583 | $121,995,240 | $ 40,579,343 |

## 10. BONDS PAYABLE

Bonds payable at June 30, 2016, are as follows:

| Bond Type | Amount Outstanding | Interest Rate | Annual Maturity To |
|---|---|---|---|
| **State School Bonds:** | | | |
| Series 2009A (New Money) | $ 800,000 | 2.00- 5.00% | 2029 |
| Series 2009A (Refunding) | 110,000 | 3.00% | 2019 |
| Series 2010A (2001 Refunding) | 430,000 | 3.00-5.00% | 2021 |
| Series 2014B (Refunding) | 474,000 | 2.00-5.00% | 2020 |
| **District Revenue Bonds:** | | | |
| Series 2014 | 68,325,000 | 1.82-3.66% | 2027 |
| Total Bonds | 70,139,000 | | |
| Add: Unamortized Bond Premiums | 7,640,255 | | |
| Total Bonds Payable | $ 77,779,255 | | |

**10. BONDS PAYABLE (continued)**

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

State School Bonds

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

Sales 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 $102,644,025 of discretionary surtax sales revenues (sales tax revenues) in connection with the Series 2014 Sales Tax Revenue Bond issue described above. During the 2015-2016 fiscal year, the District recognized sales tax revenues totaling $21,003,294 and expended $7,506,000 (36 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.

**10. BONDS PAYABLE (continued)**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2016, are as follows:

| Fiscal Year Ended June 30 | Total | Principal | Interest |
|---|---|---|---|
| State School Bonds: | | | |
| 2017 | $ 573,108 | $ 490,000 | $ 83,108 |
| 2018 | 296,608 | 238,000 | 58,608 |
| 2019 | 226,708 | 180,000 | 46,708 |
| 2020 | 189,558 | 151,000 | 38,558 |
| 2021 | 186,788 | 155,000 | 31,788 |
| 2022 – 2026 | 413,886 | 315,000 | 98,886 |
| 2027 – 2029 | 310,961 | 285,000 | 25,961 |
| | 2,197,617 | 1,814,000 | 383,617 |
| Sales Tax Revenue Bonds: | | | |
| 2017 | 7,461,075 | 4,295,000 | 3,166,075 |
| 2018 | 7,455,950 | 4,510,000 | 2,945,950 |
| 2019 | 7,449,825 | 4,735,000 | 2,714,825 |
| 2020 | 7,447,075 | 4,975,000 | 2,472,075 |
| 2021 | 7,442,075 | 5,225,000 | 2,217,075 |
| 2022 – 2026 | 37,096,625 | 30,305,000 | 6,791,625 |
| 2027 – 2029 | 14,856,800 | 14,280,000 | 576,800 |
| | 89,209,425 | 68,325,000 | 20,884,425 |
| | $ 91,407,042 | $ 70,139,000 | $ 21,268,042 |

**11. DEFEASED DEBT**

In prior years, the Board defeased in-substance various debt issues by placing a portion of the proceeds of the new COPs and bonds in an irrevocable trust to provide for all future debt service payments on the in-substance defeased COPs. Accordingly, the trust account assets and the liability for the in-substance defeased COPs are not included in the District’s financial statements. The details of the in-substance defeased debt as of June 30, 2016, is as follows:

| COPs Issue | Defeased Debt |
|---|---|
| COPs, Series 2005 | $ 14,425,000 |
| COPs, Series 2006 | $ 42,580,000 |

## 12. CHANGES IN LONG-TERM LIABILITIES

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

| Description | Beginning Balance | Additions | Deletions | Ending Balance | Due in One Year |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| Estimated liability for unpaid claims | $ 4,480,220 | $ 147,682 | $ (413,053) | **$ 4,214,849** | $ 842,970 |
| Notes Payable | 2,240,000 | – | (1,120,000) | **1,120,000** | 1,120,000 |
| Lease purchase agreements payable | 8,113,870 | – | (861,725) | **7,252,145** | 843,961 |
| Bonds Payable | 83,663,056 | – | (5,883,801) | **77,779,255** | 4,785,000 |
| Certificates of Participation Payable | 131,188,260 | 58,410,000 | (67,603,020) | **121,995,240** | 1,312,000 |
| Liability for compensated absences | 29,963,956 | 685,626 | (2,029,671) | **28,619,911** | 2,922,082 |
| Other Post-Employment Benefit Payable | 15,960,046 | 2,346,953 | (1,745,907) | **16,561,092** | – |
| Pension FRS / HIS | 82,097,234 | 34,542,772 | – | **116,640,006** | – |
| Total Governmental Activities | $ 357,706,642 | $ 96,133,033 | $ (79,657,177) | **$ 374,182,498** | $ 11,826,013 |

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

## 13. FUND BALANCE REPORTING

In addition to committed and assigned fund balance categories discussed in the Fund Balance Policies note disclosure, fund balances may be classified as follows:

### Nonspendable Fund Balance

Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash. The District classifies amounts reported as inventories as nonspendable.

**13. FUND BALANCE REPORTING (continued)**

**Restricted Fund Balance**

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

**Unassigned Fund Balance**

The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

**14. INTERFUND RECEIVABLES AND PAYABLES**

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

| | Interfund | |
|---|---|---|
| **Funds** | **Receivables** | **Payables** |
| Major: | | |
| General | $ 449,511 | $ 1,314,049 |
| Special Revenue | – | 591,070 |
| Capital Projects | 181,109 | – |
| Non Major Governmental | 1,724,010 | – |
| Fiduciary | – | 449,511 |
| Total | $ 2,354,630 | $ 2,354,630 |

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

## 15. REVENUE AND EXPENDITURES / EXPENSES

### Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2015-2016 fiscal year:

| Source | Amount |
|---|---|
| Florida Education Finance Program | $109,086,002 |
| Class Size Reduction | 36,232,704 |
| Community Instruction Inservice | 6,287,075 |
| Miscellaneous Revenue | 5,180,098 |
| Florida School Recognition | 1,824,011 |
| CO & DS Withheld SBE Bonds | 1,077,812 |
| PECO Funds | 520,065 |
| Voluntary Prekindergarten Program | 485,123 |
| CO & DS Distributed | 255,754 |
| Charter School Capital Outlay Funds | 244,197 |
| Racing Commission Funds | 223,250 |
| School Lunch Supplement | 87,009 |
| School Breakfast Supplement | 79,332 |
| Performance Based Incentive | 54,173 |
| State License Tax | 51,176 |
| CO & DS Withheld Administration Expense | 20,325 |
| Undistributed CO & DS Interest | 3,073 |
| SBE Bond Interest | 205 |
| Total State Revenue | $161,711,384 |

## 15. REVENUE AND EXPENDITURES / EXPENSES (continued)

### Property Taxes

The following is a summary of millages and taxes levied on the 2016 tax roll for the 2015-2016 fiscal year:

| | Millages | Taxes Levied |
|---|---|---|
| **General Fund** | | |
| Nonvoted School Tax: | | |
| Required Local Effort | 4.949 | $ 74,906,296 |
| Basic Discretionary Local Effort | 0.748 | 11,321,461 |
| **Capital Projects Funds:** | | |
| Nonvoted Tax: | | |
| Local Capital Improvements | 1.500 | 22,703,464 |
| **Total** | | $ 108,931,221 |

## 16. INTERFUND TRANSFERS

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

| | Interfund | |
|---|---|---|
| Funds | Transfer In | Transfer Out |
| Major: | | |
| General | $ 5,013,900 | $ 28,759 |
| Capital Projects: | | |
| Other Capital Projects | – | 7,508,950 |
| Non Major Governmental | 20,461,436 | 17,937,627 |
| Total | $ 25,475,336 | $ 25,475,336 |

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

**17. LITIGATION**

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

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

# Other Required Supplementary Information

Leon County District School Board
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
General Fund
For the Fiscal Year Ended June 30, 2016

| | Budgeted Amounts | | | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Positive (Negative) |
| **Revenues** | | | | |
| Federal direct | $ 232,000 | $ 237,062 | $ 237,062 | $ - |
| Federal through state | 50,000 | 56,177 | 56,177 | - |
| State sources | 160,198,031 | 158,962,012 | 158,962,013 | 1 |
| Local sources: | | | | |
| Property taxes levied for operational purposes | 86,352,757 | 86,459,721 | 86,459,721 | - |
| Other local revenue | 9,267,907 | 11,972,366 | 11,972,372 | 6 |
| Total local sources | 95,620,664 | 98,432,087 | 98,432,093 | 6 |
| **Total revenues** | 256,100,695 | 257,687,338 | 257,687,345 | 7 |
| **Expenditures** | | | | |
| Current: | | | | |
| Instruction | 167,768,557 | 163,059,705 | 150,846,817 | 12,212,888 |
| Pupil personnel services | 9,142,411 | 10,200,630 | 9,021,812 | 1,178,818 |
| Instructional media services | 4,112,432 | 4,049,759 | 3,836,587 | 213,172 |
| Instruction and curriculum development services | 7,865,175 | 11,317,418 | 10,284,658 | 1,032,760 |
| Instructional staff training services | 1,223,014 | 1,628,159 | 838,040 | 790,119 |
| Instruction related technology | 3,212,311 | 3,324,776 | 2,473,881 | 850,895 |
| School board | 1,440,743 | 1,465,221 | 1,005,373 | 459,848 |
| General administration | 1,669,551 | 1,609,873 | 1,257,780 | 352,093 |
| School administration | 20,213,475 | 20,398,733 | 20,140,565 | 258,168 |
| Facilities acquisition and construction | 2,046,065 | 1,919,977 | 1,274,723 | 645,254 |
| Fiscal services | 2,049,057 | 2,263,299 | 2,201,648 | 61,651 |
| Central services | 9,400,950 | 8,234,941 | 5,950,554 | 2,284,387 |
| Pupil transportation | 12,963,191 | 13,267,200 | 12,851,120 | 416,080 |
| Operation of plant | 23,666,012 | 21,664,122 | 19,322,426 | 2,341,696 |
| Maintenance of plant | 8,590,438 | 9,389,911 | 8,990,286 | 399,625 |
| Administrative technology services | 5,108,917 | 5,835,086 | 5,249,819 | 585,267 |
| Community services | 7,805,422 | 7,438,141 | 4,921,725 | 2,516,416 |
| Capital outlay: | | | | |
| Facilities acquisition and construction | - | - | 522,742 | (522,742) |
| Other capital outlay | - | - | 17,351 | (17,351) |
| **Total expenditures** | 288,277,721 | 287,066,951 | 261,007,907 | 26,059,044 |
| **Excess (deficiency) of revenues over (under) expenditures** | (32,177,026) | (29,379,613) | (3,320,562) | (26,059,037) |
| **Other financing sources (uses)** | | | | |
| Transfers in | 4,777,744 | 5,013,900 | 5,013,900 | - |
| Transfers out | - | (28,759) | (28,759) | - |
| **Total other financing sources (uses)** | 4,777,744 | 4,985,141 | 4,985,141 | - |
| **Net change in fund balances** | (27,399,282) | (24,394,472) | 1,664,579 | (26,059,051) |
| Fund balances - July 1, 2015 | 32,715,282 | 32,715,282 | 32,715,284 | 2 |
| Fund balances - June 30, 2016 | $ 5,316,000 | $ 8,320,810 | $ 34,379,863 | $ (26,059,049) |

*See report of independent auditors.*

Leon County District School Board
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual
Other Federal Programs
For the Fiscal Year Ended June 30, 2016

| | Budgeted Amounts | | | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | Actual Amounts | Positive (Negative) |
| **Revenues** | | | | |
| Federal direct | $ 1,783,431 | $ 1,833,238 | $ 1,833,154 | $ (84) |
| Federal through state and local | 33,092,916 | 33,802,758 | 19,173,939 | (14,628,819) |
| **Total revenues** | 34,876,347 | 35,635,996 | 21,007,093 | (14,628,903) |
| **Expenditures** | | | | |
| Current: | | | | |
| Instruction | 18,564,590 | 19,327,085 | 9,759,561 | 9,567,524 |
| Pupil personnel services | 2,238,258 | 1,993,627 | 831,369 | 1,162,258 |
| Instructional media services | | 13,590 | 9,095 | 4,495 |
| Instruction and curriculum development services | 7,005,649 | 7,067,303 | 5,287,785 | 1,779,518 |
| Instructional staff training services | 2,475,274 | 2,367,412 | 814,560 | 1,552,852 |
| Instruction related technology | 70,607 | 71,707 | 49,613 | 22,094 |
| School board | | 6,833 | 6,403 | 430 |
| General administration | 2,022,220 | 1,980,567 | 1,066,067 | 914,500 |
| School administration | 28,069 | 50,232 | 34,441 | 15,791 |
| Facilities acquisition and construction | 86,500 | 191,910 | 878,123 | (686,213) |
| Fiscal services | 121 | 121 | - | 121 |
| Central services | 127,303 | 230,461 | 104,957 | 125,504 |
| Pupil transportation | 175,034 | 142,688 | 81,428 | 61,260 |
| Operation of plant | 30,568 | 93,822 | 37,610 | 56,212 |
| Maintenance of plant | 11,289 | 10,789 | 3,660 | 7,129 |
| Community services | 2,040,865 | 2,087,849 | 2,042,421 | 45,428 |
| **Total expenditures** | 34,876,347 | 35,635,996 | 21,007,093 | 14,628,903 |
| **Net change in fund balances** | | | | |
| Fund balances - July 1, 2015 | - | - | - | - |
| Fund balances - June 30, 2016 | $ - | $ - | $ - | $ - |

*See report of independent auditors.*

# Leon County School District

## Required Supplementary Information

Year ended June 30, 2016

## Other Postemployement Benefits Plan
## Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) - Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 10/1/2011 | $ - | $ 27,721,142 | $ 27,721,142 | 0.00% | $ 114,207,168 | 24.27% |
| 10/1/2013 | $ - | $ 25,234,070 | $ 25,234,070 | 0.00% | $ 114,709,308 | 22.00% |
| 10/1/2015 | $ - | $ 24,494,807 | $ 24,494,807 | 0.00% | $ 119,756,603 | 20.45% |

*See report of independent auditors.*

Leon County School District

Required Supplementary Information

Year ended June 30, 2016

Schedule of Proportionate Share of Net Pension Liability -
Florida Retirement System
Last 10 Fiscal Years

| | Fiscal Year Ending June 30, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| Proportion of the net pension liability | 0.0449757910% | 0.463930418% | 0.464637005% |
| Proportionate share of the net pension liability | $ 58,092,266 | $ 28,306,578 | $ 79,984,708 |
| Covered-employee payroll | $ 155,974,703 | $ 153,320,119 | $ 163,946,076 |
| Proportionate share of the net pension liability as a percentage of its covered-employee payroll | 37.24% | 18.46% | 48.79% |
| Plan fiduciary net position as a percentage of the total pension liability | 92.00% | 96.09% | 88.54% |

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

*See report of independent auditors.*

Leon County School District

Required Supplementary Information

Year ended June 30, 2016

Schedule of Contributions -
Florida Retirement System
Last 10 Fiscal Years

| | Fiscal Year Ending June 30, | | |
|---|---|---|---|
| | **2016** | **2015** | **2014** |
| Contractually required contributions | $ 9,651,225 | $ 10,965,480 | $ 10,162,045 |
| Contributions in relation to the contractually required contribution | (9,651,225) | (10,965,480) | (10,162,045) |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Covered-employee payroll | $ 155,974,703 | $ 155,392,691 | $ 153,320,119 |
| Contributions as a percentage of covered-employee payroll | 6.19% | 7.06% | 6.63% |

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

*See report of independent auditors.*

Leon County School District

Required Supplementary Information

Year ended June 30, 2016

Schedule of Proportionate Share of Net Pension Liability -
Health Insurance Subsidy Program
Last 10 Fiscal Years

| | Fiscal Year Ending June 30, | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| Proportion of the net pension liability | 0.00574085981% | 0.575286134% | 0.602917578% |
| Proportionate share of the net pension liability | $ 58,547,740 | $ 53,790,657 | $ 52,491,902 |
| Covered-employee payroll | $ 155,974,703 | $ 153,320,119 | $ 163,946,076 |
| Proportionate share of the net pension liability as a percentage of its covered-employee payroll | 37.54% | 35.08% | 32.02% |
| Plan fiduciary net position as a percentage of the total pension liability | 0.50% | 0.99% | 1.78% |

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

*See report of independent auditors.*

Leon County School District

Required Supplementary Information

Year ended June 30, 2016

Schedule of Contributions -
Health Insurance Subsidy Program
Last 10 Fiscal Years

| | Fiscal Year Ending June 30, | | |
|---|---|---|---|
| | **2016** | **2015** | **2014** |
| Contractually required contributions | $ 2,772,392 | $ 2,194,514 | $ 1,970,737 |
| Contributions in relation to the contractually required contribution | (2,772,392) | (2,194,514) | (1,970,737) |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| Covered-employee payroll | $ 155,974,703 | $ 155,392,691 | $ 153,320,119 |
| Contributions as a percentage of covered-employee payroll | 1.78% | 1.41% | 1.29% |

Note: This schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

*See report of independent auditors.*

# Federal Reports and Schedules

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

Superintendent of Schools
The Leon County District School Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Leon County District School Board (the District), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2016-001 and 2016-002 to be material weaknesses and Finding 2016-003 to be a significant deficiency.

**Compliance and Other Matters**

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

We noted certain other matters that we reported to the District's management in a separate letter dated March 29, 2017.

**District's Response to Findings**

The District's responses to the findings identified in our audit are 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 result 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.

Thomas Howell Ferguson P.A. Law, Redd, Crona & Munroe, P.A.

| | |
|---|---|
| **Thomas Howell Ferguson P.A** | **Law, Redd, Crona & Munroe P.A.** |
| Tallahassee, Florida | Tallahassee, Florida |
| March 29, 2017 | |

# REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Superintendent of Schools
Leon County District School Board Members

**Report on Compliance for Each Major Federal Program**

We have audited Leon County District School Board's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

**Report on Internal Control Over Compliance**

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

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

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

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

Thomas Howell Ferguson P.A. Law, Redd, Crona & Munroe, P.A.

**Thomas Howell Ferguson P.A.**
Tallahassee, Florida
March 29, 2017

**Law, Redd, Crona & Munroe P.A.**
Tallahassee, Florida

**LEON COUNTY DISTRICT SCHOOL BOARD**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass- Through Grantor Number | Amount of Expenditures |
|---|---|---|---|
| United States Department of Agriculture | | | |
| Pass-through Florida Department of Agriculture and Consumer Services: | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | 15002 | 2,533,993 |
| National School Lunch Program | 10.555 | 15001, 15003 | 8,499,563 |
| Summer Food Service Program for Children | 10.559 | 15006 | 219,662 |
| Total Child Nutrition Cluster | | | 11,253,218 |
| Fresh Fruit and Vegetable Program | 10.582 | 15004 | 133,722 |
| Pass-through Florida Department of Health: | | | |
| Child and Adult Care Food Program | 10.558 | n/a | 628,575 |
| Total United States Department of Agriculture | | | 12,015,515 |
| United States Department of Justice | | | |
| Pass-through Florida Department of Juvenile Justice: | | | |
| Juvenile Justice Delinquency Prevention - Allocation to States | 16.540 | 10245 | 47,003 |
| United States Department of Education | | | |
| Direct Programs: | | | |
| Student Financial Assistance Cluster: | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | n/a | 33,347 |
| Federal Pell Grant Program | 84.063 | n/a | 1,799,807 |
| Total Student Financial Assistance Cluster | | | 1,833,154 |
| Total Direct Programs, United States Department of Education | | | 1,833,154 |
| Indirect Programs: | | | |
| Pass-through Florida Department of Education: | | | |
| Special Education Cluster: | | | |
| Special Education - Grants to States | 84.027 | 262, 263 | 6,980,720 |
| Special Education - Preschool Grants | 84.173 | 266, 267 | 488,204 |
| Total Special Education Cluster | | | 7,468,924 |
| Adult Education - Basic Grants to States | 84.002 | 191,193 | 308,609 |
| ARRA- State Fiscal Stabilization Fund- Race-to-the-Top Incentive Grants, Recovery Act | 84.395 | RA111 | 21,159 |
| Title I Grants to Local Educational Agencies | 84.010 | 212, 223, 226 | 8,307,434 |
| Career and Technical Education - Basic Grants to States | 84.048 | 161 | 553,382 |
| Education for Homeless Children and Youth | 84.196 | 127 | 56,759 |
| Charter Schools | 84.282 | 298 | 750,803 |
| Twenty-First Century Community Learning Centers | 84.287 | 244 | 671,088 |
| English Language Acquisition State Grants | 84.365 | 102, 104 | 102,555 |
| Improving Teacher Quality State Grants | 84.367 | 224 | 637,814 |
| Total Indirect Programs, United States Department of Education | | | 11,409,603 |
| Total United States Department of Education | | | 20,711,681 |
| Corporation for National and Community Service | | | |
| Pass-through Volunteer Florida: | | | |
| AmeriCorps | 94.006 | 245027-1 | 177,880 |
| United States Department of Homeland Security | | | |
| Pass-through Florida Department of Education | | | |
| Homeland Security Grant Program | 97.067 | 532 | 91,636 |

*(continued)*

**LEON COUNTY DISTRICT SCHOOL BOARD**
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass- Through Grantor Number | | Amount of Expenditures |
|---|---|---|---|---|
| United States Department of Defense | | | | |
| Direct Programs: | | | | |
| Air Force Junior Reserve Officers Training Corps | none | n/a | | 56,420 |
| Navy Junior Reserve Officers Training Corps | none | n/a | | 60,258 |
| Army Junior Reserve Officers Training Corps | none | n/a | | 60,594 |
| Marine Corps Junior Reserve Officers Training Corps | none | n/a | | 59,790 |
| Total United States Department of Defense | | | | 237,062 |
| Total Expenditures of Federal Awards | | | $ | 33,280,777 |

**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 year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

(2) Summary of Significant Accounting Policies - Expenditures are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate - The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.

(4) Noncash Assistance: National School Lunch Program - Includes $877,385 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

(5) Of the federal expenditures presented in the schedule, Leon County District School Board provided federal awards to subrecipients as follows:

| Program Title | Federal CFDA Number | | Amount Provided to Subrecipients |
|---|---|---|---|
| Special Education - Grants to States | 84.027 | $ | 200,578 |
| Improving Teacher Quality State Grants | 84.367 | | 20,266 |
| Special Education - Preschool Grants | 84.173 | | 97,007 |
| Title I Grants to Local Educational Agencies | 84.010 | | 322,891 |
| Charter Schools | 84.282 | | 750,803 |
| Twenty-First Century Community Learning Centers | 84.287 | | 96,929 |
| | | $ | 1,488,474 |

*See report of independent auditors on the financial statements.*

**LEON COUNTY DISTRICT SCHOOL BOARD**
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Section I -- Summary of Auditors' Results**

***Financial Statements***

| | |
|---|---|
| Type of auditors' report issued: | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | Yes |
| Significant deficiency(ies) identified not considered to be material weaknesses? | Yes |
| Noncompliance material to financial statements noted? | No |

***Federal Awards***

| | |
|---|---|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified not considered to be material weaknesses? | No |
| Type of auditors' report issued on compliance for major programs? | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

Identification of major programs:

| CFDA Number | Name of Federal Programs |
|---|---|
| | United States Department of Education |
| | Pass through Florida Department of Education |
| | Special Education Cluster |
| 84.027 | Special Education - Grants to States |
| 84.173 | Special Education - Preschool Grants |
| 84.010 | Title I Grants to Local Educational Agencies |

| | |
|---|---|
| Dollar threshold used to distinguish between Type A and Type B programs: | $998,423 |
| Auditee qualified as low-risk auditee? | No |

*See report of independent auditors on the financial statements.*

**Section II – Financial Statement Findings**

MATERIAL WEAKNESS

**2016-001 Capital Assets**

*Criteria:* Capital assets, net of accumulated depreciation, were approximately $400 million and represented approximately 70% of the District's total assets for the fiscal year ended June 30, 2016. To prevent material misstatements in its financial statements, the District should reconcile capital assets reported in its inventory to the financial accounting records. Procedures for recording and reporting construction-in-process (CIP) should be established to ensure the proper classification and capitalization of construction projects and related purchases. The activity recorded as CIP, additions, and disposals of capital assets should be properly recorded and reported in the financial records.

*Condition:* Construction-in-process (CIP) cost schedules generated by the Construction and Facilities Management Accounting Office, which were used to report construction-in-process in the Annual Financial Report (AFR) for the year ended June 30, 2016, were not reconciled to the financial accounting records and did not agree to the general ledger. During our audit procedures we also noted a project, completed in July 2015, was listed on the CIP schedule which required an audit adjustment to remove it from CIP for the year ended June 30, 2016. We also noted that CIP additions included items that should have been reported as furniture and equipment.

Assets acquired during the FY2015-16 were not added to the District's fixed asset records until after the year ended on June 30, 2016. In addition the assets acquired during FY2014-15 were not added to the District's fixed asset records until FY2015-16, although they were recorded on the General Ledger and annual Financial Statements. Of the fixed asset additions selected for testing during our audit, adequate support of the purchase was not provided. For three of the additions selected for testing, no support (normally consisting of invoices, contracts or cancelled checks) for the amount was provided. Of the five asset disposals selected for testing, four were not listed for removal in the Inventory Certification. No supporting documentation was available for the disposal of a school bus. This same exception was noted in the prior year audit for the disposal of another bus. Land valued at approximately $1.5 million was donated to the District in a prior year and was not listed in the asset records of the District or reported in its accounting records.

The asset disposals and write-offs for the period May 2013 through June 2016 were approved at the November 22, 2016 Board meeting. In addition, a construction project was approved by the Board that was not based on a proper bidding process as required by the District's policies.

Water quality inspections were only performed for completed new construction projects. These inspections are required upon completion of all construction projects, including additions and renovations on existing buildings.

*Effect:* Capital assets represent a huge commitment of resources for the District. Without adequate procedures to reconcile the physical inventory of assets to the subsidiary records, along with the reconciliation of the subsidiary records to the accounting records, the District cannot provide the proper accountability and valuation of the District's capital assets.

*Cause:* Lack of adequate procedures and supervision over the process of accounting and reporting of Capital Assets in the financial accounting records.

*Recommendation:* The capital asset inventory system should be reconciled to the physical inventory on an annual basis and any differences be researched and resolved in a timely manner, including any adjustments required to the asset management system and the financial accounting records. Procedures for additions and disposals of assets should be reviewed to ensure compliance with all District policies and procedures, especially the procedures over the bidding process and obtaining proper authorization and documentation of asset disposals. Additions and disposals of assets should be recorded on a timely basis. In addition, the capital asset inventory records should be reconciled to the financial accounting records on a regular basis to ensure the proper accounting and reporting of these assets.

The Finance Department should review its procedures over the recording and reporting of CIP. This should include establishing procedures for the review of invoices to determine the proper classification and recording of CIP additions and other fixed asset additions or expenses included in construction invoices. Procedures should be developed to facilitate communication between the construction "accounting office" currently located in the Construction and Facilities Management department and the Finance Department located at the District office. CIP additions should be reconciled on a monthly basis to ensure proper classification and reporting of these amounts. Management of the Finance Department should be directly involved in the management and coordination of reporting and recording assets acquired during the construction process. Involvement of the Finance Department throughout this process will facilitate the information required to:

- Support decisions on the development of capital asset management policies and practices that are supported by both financial and construction and facilities management expertise.
- Provide guidance on the asset classification and useful life determination of asset construction and acquisitions. In addition, asset information, funding sources, debt, revenue, and budget data are all necessary to ensure assets are appropriately reported and managed across their lifecycle.
- Provide access to information needed to ensure that effective asset management decisions are supported by current and relevant data. Management should ensure that information from asset management processes are used in financial models and decision making. Information should be relevant and systems should meet both operational and finance needs of the District.

As part of its management of capital assets, the District should consider implementing a fleet management system. This will help provide a clear and objective view of asset condition, remaining useful life, cost of maintenance, and other factors to make informed decisions about when to repair, replace or retire the District's buses and other vehicles.

Lastly, the District should review its procedures to ensure compliance with all applicable inspections on new and existing buildings.

*Views of responsible officials and planned corrective actions:* Construction in Progress (CIP) – The district has been reconciling the schedule of fixed assets for a couple of years after transitioning from accounting for fixed assets using a combination of stand-alone excel spreadsheets and the software program TERMS, to exclusively accounting for fixed assets in the enterprise resource system Skyward. This has been a challenge from two aspects. One has been the exercise from the District side of reconciling assets from old records into the new system. The other aspect has been coping with Skyward fixed asset program debugging issues. We believe we are on the cusp of firmly reconciling fixed assets. We also believe most of the Skyward bugs have been eliminated.

During fiscal year 2015-2016, projects in the Skyward system have been identified that had been completed but were not removed from CIP in the fiscal years completed. We moved several projects from CIP to Buildings dating back to 2009. We moved five projects in 2016. One piece of this reconciliation process was a decision by Finance management to investigate Leon County Property Appraiser records for the possibility of discovering property owned by the District that had not been recorded in the fixed asset records. District staff discovered 21 properties totaling $1.7 million with acquisition dates recorded back to the year 1900. These properties were entered during the 2016-2017 fiscal year.

The Finance Department has begun a quarterly reconciliation process with the Construction and Facilities Department. A staff member in Construction and Facilities Department is accounting for each project on a spreadsheet with key information needed for accounting in Skyward. The Finance Department will quarterly reconcile Skyward projects with the staff member in Construction and Facilities. The Finance and Construction department have developed a procedure to clearly identify furniture and equipment in the construction process to ensure it is not included in CIP.

Disposal and write-offs from 2013-2016 was part of the clean-up process of the Skyward conversion. The Property Management office will complete disposal and write-offs on a quarterly basis.

**2016-002 CASH MANAGEMENT AND TREASURY**

*Criteria:* The District should reconcile all of its bank accounts, including its investment and project accounts to the financial accounting records on a regular basis. Each bank or investment account should have a unique general ledger account to facilitate the reconciliation process. A list of all bank and investment accounts should be maintained to provide a control over the cash management function and the monthly reconciliation process. Checks should be recorded in the period generated.

*Condition:* During our audit procedures we noted certain bank and investment accounts utilized by the District for investment purposes were not reconciled to the financial accounting records. In addition, adjustments were posted to a cash account after it was reconciled to the general ledger. This resulted in adjustments to cash in the amount of $2.6 million posted during the audit to correct the reported cash balance. Voided checks and other reconciling items are being carried forward on the bank reconciliation and adjustments to correct these differences are not being posted. In addition, one general ledger account includes three separate cash and investment accounts. These accounts are not being reconciled on a regular basis. Checks dated in July 2016 were posted in June 2016, which resulted in an adjustment to correct the understatement of cash and accounts payables by approximately $3.3 million. Finally, the District issued checks, which were processed within the same bank account, to resolve interfund transfers and due to/due from balances in lieu of preparing journal entries.

*Effect:* When reconciliation procedures are not performed for all cash and investment accounts, the controls over cash and investments may be circumvented. The lack of reconciliations increases the risk of undetected errors and misappropriations. In addition, the changes in fair market value and interest earnings may not be reported in a timely manner. Cash is misstated when proper cutoff procedures have not been followed. Also, generating checks to facilitate transfers between funds that involve the same bank is not an efficient procedure and may result in unreconciled cutoff differences.

*Cause:* The District has not implemented appropriate controls to ensure proper management and reporting of its cash and investment accounts.

*Recommendation:* We recommend that the District improve its controls over cash and investments by developing a list of all cash accounts and assigning preparation and review responsibilities for each account. The list of cash and investment accounts should be updated for any changes in the District's banking arrangements, especially for new accounts required under new debt covenants. Each bank or investment account should have its own unique general ledger account. Reconciliations should be performed on a regular basis for all cash and investment accounts. Reconciliations should be reviewed to ensure that all reconciling items have been identified and properly resolved on a regular basis. The District should review its year-end procedures to determine proper cutoff of checks, so that transactions are recorded in the proper period and accurately reflected in the District's financial reports. In addition, the District should review its procedures for transfers between funds that involve the same bank. These transfers should be performed using journal entries and not by the presentation of a check. Lastly, we recommend that a comprehensive review of the District's Cash Management and Treasury function be performed by an investment advisor that is independent of the District. This review should determine each account's purpose and ensure that the accounts continue to meet the District's need to balance liquidity and risk, along with maximizing the earnings on idle funds.

*Views of responsible officials and planned corrective actions:*

- **Certain bank and investment accounts were not reconciled to the financial records.**

  The reconciliation process has been enhanced. All cash accounts are now reconciled to the financial records. As verification of this process Finance will print the proof of reconciliation, along with a copy of the corresponding bank statement.

- **Adjustments were posted to cash account after it was reconciled to the General Ledger**

  This process has been addressed by the Budget Director and the Financial Services Director. Moving forward, all end of the year entries will be reviewed prior to closing out the fiscal year to ensure this does not happen again.

- **Voided Checks and other reconciling items are being carried forward**

  This is currently being corrected. Items will be monitored and corrected prior to closing out.

- **One General Ledger account includes three separate cash and investment accounts, these accounts are not reconciled on a regular basis**

  This has been corrected. These accounts are currently reconciled on a regular basis (please see the first bullet above). A list of all bank and investments accounts has been established and is maintained in a notebook in the Budget Director's office. An additional copy will be maintained by the Senior Accountant who works with the District accounts.

- **Checks dated July 2016 were posted to June 2016**

  This process is being reviewed and processes are being put in place to correct this in future postings. The Budget Director will closely monitor the employee responsible for that particular posting to ensure the entry is made to the proper account to record the liability.

- **District issued checks, which were processed through the same bank account, to resolve interfund transfers and due to/due from balances in lieu of preparing journal entries**

  We will use journal entries due to/due from balances for fiscal year ending June 30, 2017.

SIGNIFICANT DEFICIENCY

**2016-003 FINANCIAL REPORTING**

*Criteria:* The District's Annual Financial Report (AFR) continues to require significant adjustments and revisions in order for the AFR to be accurately submitted to the Florida Department of Education.

*Condition:* During our audit procedures, schedules generated by departments outside of the Finance Department were not reviewed or reconciled before being reported in the AFR. Internal controls over journal entries were not operating effectively, therefore, journal entries were recorded to accounts that had been reconciled and recorded on the AFR without being detected. The schedule of payroll payables did not agree to the general ledger, which required adjusting journal entries to be posted during the audit process. Accounts receivables were not evaluated for proper cutoff and the accounts receivable detail listings were not reviewed to ensure consistent and accurate reporting. Receivables were estimated at year end and not adjusted when actual amounts were known. In addition, the compensated absences liability was not calculated, which also required adjustment.

*Effect:* The Annual Financial Report submitted to the Florida Department of Education contained errors and inaccuracies.

*Cause:* Lack of adequate procedures and supervision over the preparation process of the Annual Financial Report. Information provided by other departments, such as Construction and Facilities Management and Payroll, is not reviewed or reconciled to the accounting records.

*Recommendation:* The Finance Department should review its procedures over the financial reporting process. Reliable accounting and financial reporting information provides the basis for management's decisions over operations, evaluation of performance, the budgetary process, and strategic and long-range planning. We recommend that the Finance Department:

- Review its structure to maximize the communication between all departments that provide information in the financial reporting process and clearly define and communicate information requirements and deadlines,

- Reconcile subsidiary records on a regular basis and resolve any differences in a timely manner,

- Minimize the use of Excel spreadsheets as supporting documentation for account balances and utilize the District's accounting software to its fullest potential,

- Utilize the District's accounting software in the preparation of the AFR and minimize the manual calculation of inputs, and

- Enhance its review process for the AFR to ensure that the document is complete and accurate prior to submission to the FDOE.

*Views of responsible officials and planned corrective actions:* Processes are being established to monitor end of the year payables to ensure they will be posted correctly. The Budget Director will closely monitor the employee responsible for that particular posting to ensure the entry is made to the proper account to record the liability. The Budget Department will be moving staff with accounting backgrounds into positions for posting payrolls and recording receivables during fiscal year 2017-2018 who should have the knowledge base to identify proper accounting entry into Skyward. These moves will also allow the Accounting and Budget Director to delegate more day-to-day tasks and spend more time on quality control.

The Finance Department will establish deadlines for district departments to turn in key components for financial reporting that have been allowed to have more latitude for deadlines in past years. The goal is to complete the AFR sooner than in past years to allow more time to verify accounts.

The Finance Department has begun a quarterly reconciliation process with the Construction and Facilities Department. A staff member in Construction and Facilities Department is accounting for each project on a spreadsheet with key information needed for accounting in Skyward. The Finance Department will quarterly reconcile Skyward projects with the staff member in Construction and Facilities. The Finance and Construction department have developed a procedure to clearly identify furniture and equipment in the construction process to ensure it is not included in CIP.

**Prior Year's Finding and Recommendation**

The current year status of the prior year recommendation is presented below:

**Finding 2015-004: Noncompliance with Allowable Costs/Cost Principles- Compensation of Personnel Services**

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

The questioned costs of $72,321 represent the total salary and benefits expense for the employee charged to the grant for the year ended June 30, 2015. After audit testing performed, it was noted that the semi-annual certifications for the fiscal year could not be located for an employee funded 100% by the grant.

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

**FY 2016 Status:** Semi-annual certifications are not required under the Uniform Guidance. Corrective action has been implemented.

# Other Reports

# Management Letter

Board Chair and Members of the
Leon County District School Board, Florida

**Report on the Financial Statements**

We have audited the basic financial statements of the Leon County District School Board (the District) as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated March 29, 2017.

**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 Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for each Major Federal Program and Report on Internal Control over Compliance, Schedule of Findings and Questioned Costs, and our Independent Accountant's Report in accordance with Chapter 10.800, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 29, 2017, should be considered in conjunction with this management letter.

**Current Year June 30, 2016 Recommendations**

**2016-004 Audit Committee and Internal Audit Department**

The Audit Committee and Internal Audit function are an integral part of the system of internal control of the District. Regular monitoring of the District's system of internal controls provides vital information to the Superintendent and the School Board. The Internal Auditing Department's annual work plan should cover high risk areas and rotate through various audit areas of the District on a regular basis in order to monitor the system of internal controls, provide assurance that it is operating as expected, and to make recommendations for improvement. Currently, Internal Audit's work plan focuses largely on the District's internal accounts. Due to limited staffing, the Internal Audit Department is unable to perform audits of the District's high risk areas, such as capital assets and construction and facilities management, as well as operational and compliance reviews. We recommend that the annual work plan be expanded to include areas of high risk to broaden the overall audit coverage of the District, along with ensuring that an adequate system of internal control and reporting has been implemented and effectively maintained.

Additionally, we recommend that the Audit Committee and the District evaluate its organizational and reporting structure, including its formal and informal oversight and supervision, to provide the necessary independent direction and management of the Internal Auditing Department. The independence of Internal Audit, both in fact and appearance, is necessary to ensure that the results of its audit work is reported to the appropriate organizational level and that recommendations for improvement are acted upon by management. Although policy states that the internal audit function reports to the Board, the Internal Audit Department effectively reports to District management.

Finally, we recommend that consideration be given to the staffing and training levels to ensure that the Internal Audit Department has adequate staffing with the requisite levels of education, training and experience required to provide the monitoring and reporting of the District's system of internal controls. The limited staffing in the Internal Audit Department does not allow for an effective internal audit function.

*Management Response:* Office of Internal Auditing staff conducts an annual risk assessment to identify projects that should be included in the Annual Work Plan. As a part of the risk assessment process, a draft work plan is provided to the Audit committee for discussion and approval, with final approval by the School Board. In the future, the risk assessment process will be further formalized and additional documentation will be maintained to support each step of the process.

Per District Policy, the Director of Internal Auditing reports to the Audit Committee and School Board. This reporting structure has been consistently maintained by Internal Auditing Staff, the School Board, Audit Committee, and District Management. As previously noted, the Director of Internal Auditing has routine contact with the Audit Committee Chair, School Board Chair and Superintendent to discuss issues impacting the District. Office of Internal Auditing staff routinely attends all regular and special meetings of the School Board and provides direct response and follow-up to all requests of the Board.

Office of Internal Auditing staff will continue to pursue appropriate professional training and certification to keep abreast of the most current knowledge and skills relevant to the District and the profession of Internal Auditing. Further, all new hires will continue to be processed by the Human Resources Department to ensure that they possess the skill set necessary to effectively complete all assigned job responsibilities. Currently, Internal Auditing staff offers a combination of experience and professional expertise that includes college degrees (Bachelors and Masters), certification issued by the Institute of Internal Auditors and more than 20 years of relevant professional experience . The Office of Internal Auditing staff also holds memberships with national organizations that provide a continual educational resource relevant to the field.

**2016-005 Succession Planning for Anticipated Changes in District Personnel**

During the past several years, the District has experienced changes in key positions due to the retirement or resignation of certain employees. Currently, the District has over 300 employees participating in DROP, including several key management positions such as the Chief Financial Officer and the Director of Risk Management. Internal controls and knowledge of the District's various operations could be significantly impacted by the impending retirement of these employees. Critical operational and accounting functions may not be performed as a result of the retirement or resignation of a long-term employee. When significant changes in personnel are anticipated, it is important that proper planning and training are in place to ensure the responsibilities and duties are adequately transitioned. We recommend that the District evaluate its succession planning for these anticipated changes in key District positions to ensure that all job duties and responsibilities are adequately transferred, that all new personnel have the required level of education and experience, and that sufficient time is available for proper training.

*Management Response:* The District will continue succession planning efforts for key vacancies. The succession plans will give consideration to appropriate transition of job duties and responsibilities, experience requirements and training needs for each vacancy to help ensure a successful transition.

**2016-006 Debt Compliance**

The Series 2010 Qualified Zone Academy Bonds (QZAB's) issued in 2010 requires a private 10% matching in the amount of $3,635,700. The QZAB provides a tax-exempt source of funding for the District and requires compliance with various rules and regulations to maintain its tax-exempt status. During 2015, the Internal Revenue Services (IRS) audited Series 2010 QZAB and issued a letter of no findings at the conclusion of its audit. In order to continue to comply with the requirements of the QZAB funding, we recommend that the District review its procedures and documentation of all debt covenants and matching requirements.

*Management Response:* The District has implemented a procedure for tracking the receipt of matching contributions. The procedure includes the development and utilization of a QZAB Tracking System that can be used to identify and track any contributions received. Further, quarterly reminders of contributions and remaining commitments are provided to all partners.

**2016-007 Purchase Card Procedures and Transactions**

During single audit testing, it was noted that a scanned Hotel Reservation Credit Card Authorization Form containing full credit card information from a District purchasing card (p-card) was included among travel documentation linked in Skyward to an approved invoice. The Form displayed the full credit card account number, expiration date, CVP security code, and cardholder name. According to the Director of Purchasing, the form is used by Purchasing to set up a travel profile in Works, the Bank of America card system, and for non-cardholder travelers to provide to hotels in lieu of a card upon arrival. Additionally, the District's practice was to store the physical copies of the Form in a locked file cabinet. It should not have been necessary to include a scanned copy in Skyward. Including full p-card account information within documents loaded into Skyward increases the risk that the information could be compromised and used to attempt unauthorized purchases. The bank could refuse to credit unauthorized charges resulting from District breaches of its own card information, should they occur.

To test the controls surrounding the purchase card process, a sample of fifty (50) purchase card (p-card) transactions was selected for testing during the audit of the 2015-16 fiscal year. Several exceptions were noted, such as credit limits authorized on the p-card issuance form did not agree with credit limits reported on the Bank of America statement. In addition, there was no authorized approval on several p-card expense summary sheets as required by District policy.

Adherence to policies and procedures will minimize the likelihood of errors and irregularities in the p-card purchasing system. We recommend that the District review its p-card policies and procedures with p-card users to ensure compliance with established policies and procedures over purchase cards. In addition, we recommend that District personnel responsible for the review and approval of p-card transactions ensure that approval policies and procedures are followed and that a periodic review of p-card issuance and limits be established. We recommend that the District reevaluate the necessity of including all card information on the Authorization Form and, where practicable, include only non-sensitive information on the form. As long as the current form is still used, the District should take steps to ensure that the Form is not scanned and linked to Skyward. Example measures could include reminders for travelers regarding documentation requirements and expanding the review of travel documentation to include detection of unneeded documents within scanned document packets.

*Management Response:* The Hotel Reservation Credit Card Authorization form is not intended to be included with any travel reimbursement documentation that is scanned into Skyward. While this was likely an isolated instance, moving forward we will ensure that document is not included in Skyward files.

P-card Program Policy allows administrators to request adjustments to the single transaction limits of individual cardholders at their site. At the sole discretion of the p-card Program Administrator, temporary limit increases are made to facilitate the requested purchases. Documentation is maintained by the p-card Program Administrator of the requests for increases.

The p-card Program Auditor is tasked with ensuring that all appropriate approval signatures are received. Principals currently are not required to have an additional authorized approval signature as they are the authorized approver for their site.

**2016-008 Cash Disbursement Transactions**

To test the controls surrounding the cash disbursements cycle, a sample of twenty-five (25) disbursements was selected. Instances were noted where products were accepted and invoiced without a purchase order. The purchase order was created after the issuance of the invoice, which is not in accordance with District policy.

We recommend that the current policies and procedures established by the District's Purchasing Department be reiterated with employees and related to Cost Centers as to the preparation, coding, and approval process.

*Management Response:* District staff and school bookkeepers are constantly reminded this exception fails to serve the purpose of budgetary control, and it does not comply with School Board Policy. This exception is discussed in Bookkeeper Training Sessions held throughout the year.

**2016-009 Internal Accounts – Disbursements**

A sample of 15 schools was selected. From each school, 25 disbursements were tested. Our testing identified the following findings:

<u>Sealey Elementary School</u>

- 2 disbursements were missing approvals prior to purchases being made.
- 8 disbursements were missing purchase orders.
- 6 disbursements were missing fee or donation letters.

<u>Swift Creek Middle School</u>

- 3 disbursements were missing fee or donation letters.
- 2 disbursements were for teacher reimbursements when purchase cards should have been used. These disbursements also had no evidence of prior approvals.

<u>Gretchen Everhart School</u>

- 8 disbursements were missing purchase orders.
- 1 disbursement was missing all supporting documentation except the check requisition which was found in Skyward.

Roberts Elementary School
- 2 disbursements were for teacher reimbursements when purchase cards should have been used.

Gilchrist Elementary School
- 1 disbursement was for a gift card purchase and a gift card log was not maintained.

Leon High School
- 1 disbursement exceeded the purchase order amount and the overage was not approved by the Principal.

Lincoln High School
- 4 disbursements were missing approvals prior to purchases being made.
- 8 disbursements were missing fee or donation letters.

Deerlake Middle School
- 1 disbursement was missing a check requisition.
- 1 disbursement had a purchase order dated subsequent to the invoice date.
- 1 disbursement the check cleared the bank with only one authorized signature.
- 4 disbursements were missing fee letters.

Chiles High School
- 4 disbursements were refunds due to students for the 14-15 school year for science fees that were not issued until March 29, 2016.

Adult and Community Education
- 1 disbursement's check cleared the bank with only one authorized signature.
- 2 disbursements were manual checks written in lieu of utilizing purchasing cards. Blank checks were delivered to individuals to purchase items at a grocery store and a membership only warehouse club.

Godby High School
- 1 disbursement was coded to the incorrect account.

Canopy Oaks Elementary School
- No findings in the sample tested.

WT Moore Elementary School
- 1 disbursement for gift cards, but logs to acknowledge receipt of the gift cards were not completed.

Riley Elementary School
- A digital image of a check that cleared the bank was not returned with the monthly bank statement and was not requested by the school until the auditor noted it was missing.

Lively Technical Center

- 1 disbursement contained only a quote as supporting documentation.
- 1 disbursement was coded to the incorrect account.

To be in compliance with the internal accounts manual, all checks must be signed by two authorized check signers. Adherence to this control procedure should be observed by the person receiving and opening the bank statement. Violation of the dual signature requirement should be investigated and documented. Additionally, reimbursements should only be issued for exceptions outlined in the Internal Accounts Manual. We recommend that the school maintain documentation to support the purchases and related disbursements made and that all documentation evidencing disbursements be approved by the principal and retained and filed in a manner that makes it easily accessible. If not evident from the receipt, the business purpose of the expense should be noted on the supporting documentation. The check signers should review supporting documentation, including an approved check requisition, prior to signing checks to make certain that all disbursements are for authorized and allowable purchases. The accountant should also carefully review receipts and disbursements posted to the general ledger to ensure they have been coded to the correct account. Fees collected must be spent for the purposes for which they were collected. Receipt descriptions should match the descriptions on the check requisition. Gift card logs should be maintained and distribution of gift cards should be evidenced by the signature of the employee receiving the gift card.

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

*Management response:* All noted exceptions are discussed in Bookkeeper Training Sessions held during the year. The district Project Manager who works with the school sites, reminds Principals and Bookkeepers of the procedures. Continuous reinforcement of the proper procedures will remain a top priority.

**2016-010 Internal Accounts – Receipts**

A sample of 15 schools was selected. From each school, 25 receipts were tested. Our testing identified the following findings:

Sealey Elementary School

- 12 receipts were missing issued teacher receipts when the amount collected exceeded $5.
- 6 receipts were missing fee or donation letters.

Swift Creek Middle School

- 3 receipts were missing issued teacher receipts when the amount collected exceeded $5.
- 8 receipts were missing fee or donation letters.

Gretchen Everhart School

- 1 receipt was missing issued teacher receipts when the amount collected exceeded $5.

Roberts Elementary School
- No findings in the sample tested.

Gilchrist Elementary School
- 1 deposit was not made within 3 days of collection.

Leon High School
- No findings in the sample tested.

Lincoln High School
- 1 deposit was not made within 3 days of collection.
- 24 receipts were missing issued teacher receipts when the amount collected exceeded $5.
- 1 receipt was missing a fee or donation letter.

Deerlake Middle School
- No findings in the sample tested.

Chiles High School
- 2 deposits were not made within 3 days of collection.

Adult and Community Education
- 5 deposits were not made within 3 days of collection.

Godby High School
- No findings in the sample tested.

Canopy Oaks Elementary School
- 1 deposit was not made within 3 days of collection.

WT Moore Elementary School
- No findings in the sample tested.

Riley Elementary School
- 3 deposits were not made within 3 days of collection.

Lively Technical Center
- 1 deposit was not made within 3 days of collection.
- Several instances of receipts for tuition fees not being allocated to the correct fee accounts.

At many of the schools, fee letters were not available to support the amounts requested from students. We also noted many instances where student receipts were not written or could not be located for collections over $5.00. In addition, we noted instances where monies collected, based on copies of student receipts, were not remitted to the bookkeeper on the same day.

Additionally, we noted that the timing of deposits made by the schools was inconsistent with the internal accounts manual. The internal accounts manual states, "Deposits should be made daily. If however, the cash on hand is not of an amount to warrant deposit, it should be placed in the school safe. At a minimum, it is recommended that cash receipts be deposited within three days of receipt."

We continue to recommend that cash be deposited within three days of receipt in order to comply with the internal accounts manual. A deposit should be made on the last day of the week so that cash is not kept in the schools over the weekend and a deposit should be made on the last day of the month to facilitate the closing of that month's books.

We also recommend that fees letters be maintained to support the amounts requested from students and that receipts are written for amounts over $5.00 in accordance with District policies and procedures. It is also important that receipt books are retained as support for all cash receipts.

*Management response:* All noted exceptions are discussed in Bookkeeper Training Sessions held during the year. The district Project Manager who works with the school sites, reminds Principals and Bookkeepers of the procedures. Continuous reinforcement of the proper procedures will remain a top priority.

**2016-011 Internal Accounts – Internal Controls**

Based on our interviews and testing, we identified the following related matters/exceptions to internal controls.

1. Several schools did not complete the year end bank reconciliation within 15 days of the following month.
2. At one school, the chart of accounts does not contain separate accounts for fee related activity in order to appropriately track the funds.

We recommend that the Leon County School District work with principals, assistant principals and other principal designees, and accountants to emphasize the internal controls that should be in place at each school, especially the accurate and timely preparation of bank reconciliations. Effective controls reduce the risk of fraud and improve accuracy of financial information.

*Management response:* All noted exceptions are discussed in Bookkeeper Training Sessions held during the year. The district Project Manager who works with the school sites, reminds Principals and Bookkeepers of the procedures. Continuous reinforcement of the proper procedures will remain a top priority.

**********

## 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 findings and recommendations made in the preceding annual financial audit report, except as noted below under the heading Prior Year Findings and Recommendations.

### Prior Year Findings and Recommendations

Corrective actions have been taken to address findings and recommendations in the preceding annual financial report, except for:

| Tabulation of Uncorrected Audit Findings | | | | |
|---|---|---|---|---|
| *** Current Year Finding #** | *** 2014-15 FY Finding #** | **** 2013-14 FY Finding #** | *** 2012-13 FY Finding #** | *** 2011-12 FY Finding #** |
| 2016-001 | 2015-001 | 3 | - | - |
| 2016-002 | 2015-003 | - | - | - |
| 2016-003 | 2015-002 | 1 | 13-01 | 12-06 |
| 2016-004 | 2015-005 | - | - | - |
| 2015-007 | 2015-006 | - | - | - |
| 2015-009 | 2015-007 | 14-01 | 13-08 | - |
| 2015-010 | 2015-008 | 14-02 | 13-09 | - |
| 2015-011 | 2015-009 | 14-04 | - | - |

* Thomas Howell Ferguson, P.A. / Law, Redd, Crona & Munroe, P.A.
** Florida Auditor General

## Financial Condition

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

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 representations made by management and the review of financial information provided by same.

**Transparency**

Section 10.804(1)(f)6., Rules of the Auditor General, requires the auditor to report the results of our determination as to whether the District maintains on its Web site the information specified in Section 1011.035, Florida Statutes. In connection with our audit, we determined that the District maintained on its Web site the information specified in Section 1011.035, Florida Statutes.

**Other Matters**

10.804(1)(f)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we noted the matters discussed in the Current Year June 30, 2016 Recommendations section of this letter and the Schedule of Findings and Questioned Costs-Federal Awards and State Financial Assistance dated March 29, 2017.

Section 10.804(1)(f)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are 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.

The District's responses to the Management Letter findings identified in our audit are included in this letter. We did not audit the District's responses and accordingly, we express no opinion on the responses.

**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, the 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.

Thomas Howell Ferguson P.A.

**Thomas Howell Ferguson P.A.**
Tallahassee, Florida
March 29, 2017

Law, Redd, Crona & Munroe, P.A.

**Law, Redd, Crona & Munroe P.A.**
Tallahassee, Florida