REPORT NO. 2015-177
MARCH 2015

LEON COUNTY
DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2014

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2013-14 fiscal year are listed below:

	District No.
Forrest Van Camp, Chair from 11-19-13	1
Dee Crumpler	2
Maggie B. Lewis-Butler, Vice Chair	3
Dee Dee Rasmussen	4
Georgia "Joy" Bowen, Chair to 11-18-13	5

Jackie Pons, Superintendent

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

The audit team leader was Lauren J. Wagner, and the audit was supervised by Karen L. Revell, CPA. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

SIGNIFICANT DEFICIENCY

Finding No. 1: Financial reporting procedures could be improved to ensure that account balances, transactions, and note disclosures are properly reported.

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

ADDITIONAL MATTERS

Finding No. 2: Controls over journal entries needed enhancement.

Finding No. 3: Controls over capital assets needed improvement.

Summary of Report on Federal Awards

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

Federal Awards Finding No. 2004-001: Controls over monitoring Special Education program purchased services could be enhanced.

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2014. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of

material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements. The results of our operational audit of the District are included in our report No. 2015-088.

Audit Methodology

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

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AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Leon County District School Board, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 8 percent of the assets and 34 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the Leon County District School Board as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note II to the basic financial statements, the District adopted new accounting guidance Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which affects the comparability of amounts reported for the 2013-14 fiscal year with amounts reported for the 2012-13 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

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

Respectfully submitted,

David W. Martin, CPA
Tallahassee, Florida
March 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Leon County District School Board (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013-14 fiscal year are as follows:

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $225.6 million.
- Total revenues of $326.9 million were comprised of general revenues in the amount of $305.5 million, or 93.5 percent, and program specific revenues from charges for services and grants and contributions in the amount of $21.4 million or 6.5 percent.
- For the fiscal year ended June 30, 2014, the District had $318.2 million in expenses related to governmental activities; $21.4 million of which were offset by program specific charges for services, grants, and other sources. General revenues (primarily taxes and State funding programs) of $305.5 million were collected for the District's programs resulting in an increase in net position of $8.8 million.
- The unrestricted net position deficit of $95.2 million on the statement of net position represents the excess of current and long-term future financial liabilities over current financial resources, due primarily to the unfunded liability for compensated absences and other postemployment benefits.
- As of the close of the fiscal year, the District's governmental funds reported combined ending fund balances of $171.8 million, an increase of $78.4 million in comparison with the prior fiscal year. Approximately 6.5 percent of this total amount, $11.2 million, is available for spending at the District's discretion for the purposes defined for each governmental fund (unassigned fund balance).
- Based on General Fund expenditures for the 2013-14 fiscal year of $254.2 million, the operating cost per day, assuming 260 days, was $978 thousand as compared to $930 thousand for the 2012-13 fiscal year, which resulted in an increase of 5.2 percent.
- At the end of the fiscal year, the unassigned fund balance for the General Fund is $11.2 million, or 4.4 percent of total General Fund expenditures.
- The District's long-term debt for bonds, certificates of participation, and notes payable increased by $76.5 million, or 50.5 percent during the current fiscal year, due to the issuance of the Sales Tax Revenue Bond, Series 2014.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which consist of three components:

- Government-wide financial statements;
- Fund financial statements; and
- 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 and business-type activities of the District presented on the accrual basis of accounting.

The statement of net position provides information about the District's assets and liabilities, with the difference between the two reported as net position. Assets less liabilities equal net position which is a measure of the District's financial health.

The statement of activities provides information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).

All of the District's activities and services are reported in the government-wide financial statements as governmental activities, including instruction, student support services, instructional support services, administrative support services, facility maintenance, transportation, and food services. Property taxes, sales taxes, and State assistance finance most of these activities. Additionally, all capital and debt financing activities are reported as governmental activities. Business-type activities, which include functions that are intended to recover all or a significant portion of their costs through user fees and charges, includes the District's Permitting Office.

The government-wide financial statements include not only the District (known as the primary government), but also The Foundation for Leon County Schools, Inc., and the combined activities of the six legally separate charter schools. Financial information for these component units is reported separately from the financial information presented for the primary government. The Leon County District School Board Voluntary Employee Benefits Trust (Trust) and the Leon County School Board Leasing Corporation (Leasing Corporation), although also legally separate entities, were formed to administer the District's group health, life, and dental insurance program and facilitate financing for the acquisition of facilities and equipment, respectively. Due to the substantive economic relationships between the District and the Trust and Leasing Corporation, their financial activities have been included as an integral part of the primary government.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into one of three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and government-wide activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Special Revenue – Other Fund, Special Revenue – Federal Economic Stimulus Fund, Debt Service – ARRA Economic Stimulus Fund, Capital Projects – District Bonds Fund, Capital Projects – ARRA Economic Stimulus Fund, and Capital Projects – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General and major Special Revenue Funds to demonstrate compliance with the budget.

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

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

Other Information

In addition, to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide other postemployment benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position over time may serve as a useful indicator of a government's financial health. In the case of the District, assets exceeded liabilities by $225.6 million at the close of the most recent fiscal year. The net position is segregated into net investment in capital assets, restricted net position, and unrestricted net position. For the Net Investment in Capital Assets, capital assets (e.g., land, buildings, machinery, and equipment), are stated at their cost at the time of acquisition, net of accumulated depreciation and less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide educational and related services to its students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted net position is constrained by debt covenants, enabling legislation or other legal requirements. Unrestricted net position is

the portion of net position that can be used to meet the District's ongoing obligations to citizens and creditors. The deficit in unrestricted net position is primarily due to three factors:

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

The intent of the government-wide statements is to provide a long-term outlook of the financial position of the District. The unrestricted net position's deficit of $95.2 million reflects the long-term requirement to pay for obligations that will become due in future years. For example, compensated absences liability totals $28.2 million. An estimated $3.3 million will be due and payable in the 2014-15 fiscal year. While resources will be available to meet that obligation, $24.9 million will be due and payable two or more years from the date of this statement. The District does not have the resources, nor should it attempt to find the resources in the short-term (i.e., one year), to pay for this noncurrent portion of the compensated absences liability.

The following is a summary of the District's net position as of June 30, 2014, compared to net position as of June 30, 2013:

Net Position, End of Year

	Governmental Activities		Business-Type Activities		Total	
	6-30-14	6-30-13	6-30-14	6-30-13	6-30-14	6-30-13
Current and Other Assets	$ 188,882,283	$ 110,711,509	$ 109,949	$ 95,435	$ 188,992,232	$ 110,806,944
Capital Assets	330,818,901	323,285,912			330,818,901	323,285,912
Total Assets	519,701,184	433,997,421	109,949	95,435	519,811,133	434,092,856
Long-Term Liabilities	277,181,027	199,984,147			277,181,027	199,984,147
Other Liabilities	17,040,786	15,705,256	4,237	269	17,045,023	15,705,525
Total Liabilities	294,221,813	215,689,403	4,237	269	294,226,050	215,689,672
Net Position:						
Net Investment in Capital Assets	179,990,141	181,296,377			179,990,141	181,296,377
Restricted	140,805,605	77,045,079			140,805,605	77,045,079
Unrestricted (Deficit)	(95,316,375)	(40,033,438)	105,712	95,166	(95,210,663)	(39,938,272)
Total Net Position	$ 225,479,371	$ 218,308,018	$ 105,712	$ 95,166	$ 225,585,083	$ 218,403,184

The District's net position increased in total by $8.8 million during the 2013-14 fiscal year.

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

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2014, and June 30, 2013, are as follows:

Operating Results for the Fiscal Year Ended

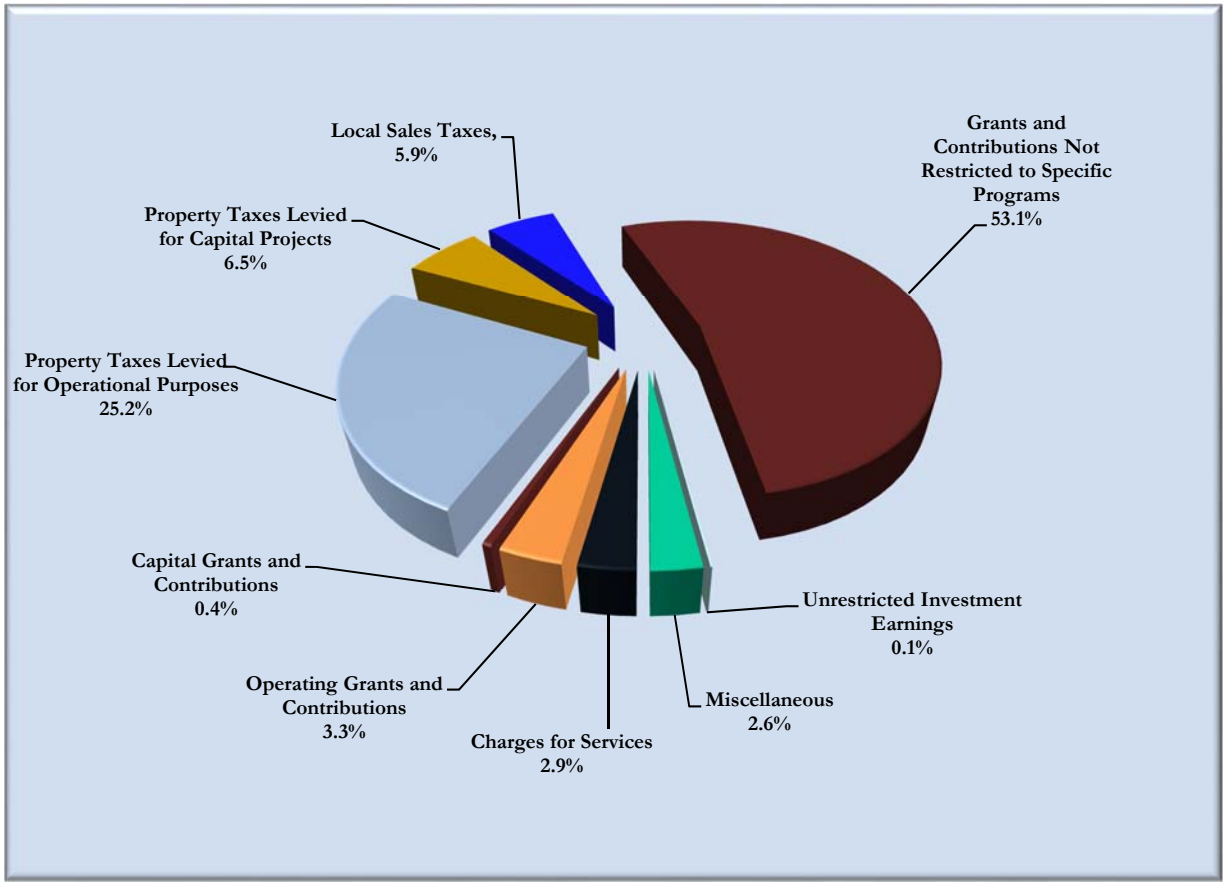
	Governmental Activities		Business-Type Activities		Total	
	6-30-14	6-30-13	6-30-14	6-30-13	6-30-14	6-30-13
Program Revenues:						
Charges for Services	$ 9,381,390	$ 9,404,526	$ 33,092	$ 24,883	$ 9,414,482	$ 9,429,409
Operating Grants and Contributions	10,700,909	15,511,788			10,700,909	15,511,788
Capital Grants and Contributions	1,360,784	601,310			1,360,784	601,310
General Revenues:						
Property Taxes, Levied for Operational Purposes	82,598,443	87,931,324			82,598,443	87,931,324
Property Taxes, Levied for Capital Projects	21,184,865	21,249,872			21,184,865	21,249,872
Local Sales Taxes	19,580,272	16,947,035			19,580,272	16,947,035
Grants and Contributions Not Restricted to Specific Programs	173,559,313	154,724,957			173,559,313	154,724,957
Unrestricted Investment Earnings	175,263	(634,084)	2,615	112	177,878	(633,972)
Miscellaneous	8,389,640	8,909,573			8,389,640	8,909,573
Total Revenues	326,930,879	314,646,301	35,707	24,995	326,966,586	314,671,296
Functions/Program Expenses:						
Instruction	159,806,192	151,949,287			159,806,192	151,949,287
Student Personnel Services	10,403,068	9,907,521			10,403,068	9,907,521
Instructional Media Services	3,684,191	3,846,755			3,684,191	3,846,755
Instruction and Curriculum Development Services	14,148,902	13,954,693			14,148,902	13,954,693
Instructional Staff Training Services	1,808,358	3,743,280			1,808,358	3,743,280
Instruction Related Technology	2,451,248	2,425,092			2,451,248	2,425,092
School Board	1,071,766	1,074,721			1,071,766	1,074,721
General Administration	2,977,390	2,641,170			2,977,390	2,641,170
School Administration	19,217,918	18,447,436			19,217,918	18,447,436
Facilities Acquisition and Construction	2,832,029	20,813,725			2,832,029	20,813,725
Fiscal Services	2,468,569	2,320,792			2,468,569	2,320,792
Food Services	13,223,248	11,895,351			13,223,248	11,895,351
Central Services	6,462,243	6,031,293			6,462,243	6,031,293
Student Transportation Services	12,531,460	11,797,531			12,531,460	11,797,531
Operation of Plant	19,429,237	18,614,543			19,429,237	18,614,543
Maintenance of Plant	7,895,897	7,995,214			7,895,897	7,995,214
Administrative Technology Services	5,194,368	4,671,299			5,194,368	4,671,299
Community Services	7,103,081	7,092,299			7,103,081	7,092,299
Unallocated Interest on Long-Term Debt	6,831,252	6,424,916			6,831,252	6,424,916
Unallocated Depreciation Expense	18,612,792	18,314,012			18,612,792	18,314,012
Loss on Disposal of Capital Assets		145,953				145,953
District Permitting Office			25,161	8,845	25,161	8,845
Total Functions/Program Expenses	318,153,209	324,106,883	25,161	8,845	318,178,370	324,115,728
Change in Net Position	8,777,670	(9,460,582)	10,546	16,150	8,788,216	(9,444,432)
Net Position - Beginning	218,308,018	227,768,600	95,166	79,016	218,403,184	227,847,616
Adjustment to Beginning Net Position	(1,606,317)				(1,606,317)	
Net Position - Beginning, as Restated	216,701,701	227,768,600	95,166	79,016	216,796,867	227,847,616
Net Position - Ending	$ 225,479,371	$ 218,308,018	$ 105,712	$ 95,166	$ 225,585,083	$ 218,403,184

The largest revenue source is the State of Florida (46.4 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base.

The following chart depicts the distribution of revenues of the District as a whole for the 2013-14 fiscal year.

GOVERNMENTAL ACTIVITIES

REVENUES BY SOURCE – STATEMENT OF ACTIVITIES



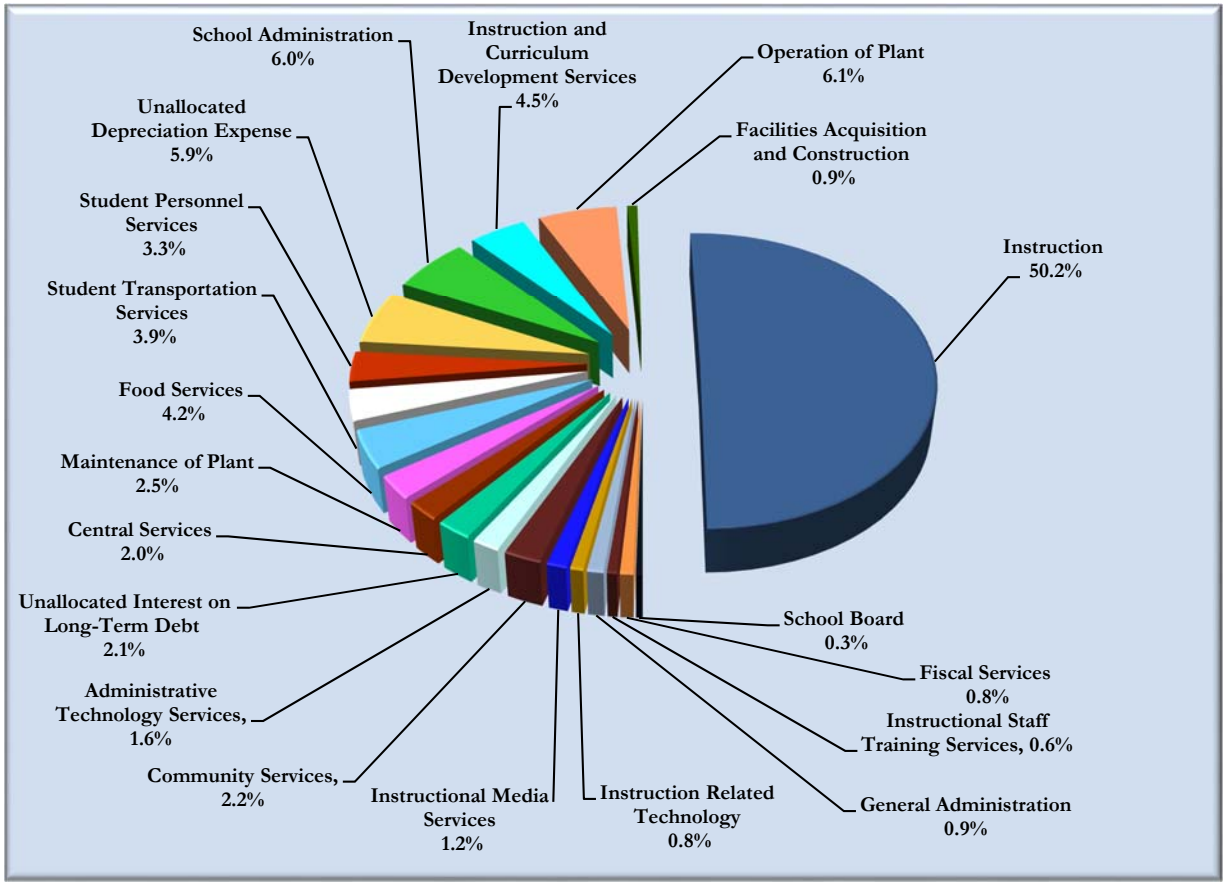
The most significant increase during the 2013-14 fiscal year was grants and contributions not restricted to specific programs at $173.6 million, or a 12.2 percent increase. Overall, governmental revenues increased $12.3 million, or 3.9 percent, primarily due to an increase in FEFP funding.

Property tax revenues decreased by $5.4 million, or 4.9 percent, as a result of a decrease in the total millage rate.

The following chart depicts the distribution of expenditures of the District as a whole for the 2013-14 fiscal year.

GOVERNMENTAL ACTIVITIES

EXPENSES – STATEMENT OF ACTIVITIES



Expenses totaled $318.1 million for the 2013-14 fiscal year as compared to $324.1 million for the 2012-13 fiscal year. Instruction expenses represent 50.2 percent of total governmental expenses in the 2013-14 fiscal year. Instruction expenses increased by $7.9 million, or 5.2 percent, from the previous fiscal year because of teacher salary increases.

BUSINESS-TYPE ACTIVITIES

Charges for services increased due to an increase in permits being issued and expenses increased due to an increase in permitting office expenses.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Specifically, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not been limited to a particular purpose by an external party, the District, or a group or individual delegated authority by the Board to assign resources for particular purposes.

As of the end of the current fiscal year, the District's governmental funds combined ending fund balances were $171.8 million, an increase of $78.4 million in comparison with the prior year. Approximately 6.5 percent of this amount is unassigned fund balance ($11.2 million), which is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, or assigned to indicate that it 1) not in spendable form ($1.6 million), 2) restricted for particular purposes ($159 million), or 3) assigned for particular purposes ($18.7 million).

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is $11.2 million, while the total fund balance is $34.1 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 4.4 percent of total General Fund expenditures, which the total fund balance represents 13.4 percent of that same amount. The fund balance of the District's General Fund decreased $7.4 million during the current fiscal year.

The Special Revenue – Other Fund has total revenues and expenditures of $23.3 million each for Federal grants administered primarily through the State cash advance system. Since Federal grant revenue is recognized to the extent the eligible expenditures have been incurred, this fund generally does not accumulate a fund balance.

The Special Revenue – Federal Economic Stimulus Fund accounted for Federal stimulus money received for the State Fiscal Stabilization Fund program. This fund had total revenues and expenditures of $1.4 million each. Since Federal grant revenue is recognized to the extent that eligible expenditures have been incurred, this fund generally does not accumulate a significant fund balance. Race-to-the-Top funding makes up the majority of these funds. Race-to-the-Top funds are being used to close student achievement gaps within the District. This is a five-year funded program which will end in the 2014-15 fiscal year.

The Debt Service – ARRA Economic Stimulus Fund, which is used to account for debt service activity for Qualified School Construction Bonds (QSCB), has a total fund balance of $3.2 million, which is restricted for the payment of debt.

The Capital Projects – District Bonds Fund, which is used to account for the accumulation of financial resources generated by the Sales Tax Revenue Bond, Series 2014, had a total fund balance of $76 million, which is restricted for capital projects. It should be noted that $2.2 million has been encumbered for specific projects. Fund balance increased due to proceeds from the issuance of a $75 million sales tax revenue bond.

The Capital Projects – ARRA Economic Stimulus Fund, which is used to account for proceeds of the District's QSCB issues, had a fund balance of zero at fiscal year-end as the QSCB construction projects were completed.

The Capital Projects – Other Fund, which is used to account for capital project activity funded by sources such as certificates of participation and local sales taxes, had a total fund balance of $24 million, which is restricted for capital projects. It should be noted that $11.5 million has been encumbered for specific projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

Many changes are made to the budget over the course of the year. Each change is submitted to the Board for approval. A recap of the significant changes as of June 30, 2014, is listed below:

- The original budget for State sources of revenues in the General Fund totaled $150.8 million and the final budget is lower by $1.8 million.

- The overall budget for revenues in the General Fund increased by $3.1 million over the original to the final budget, and total expenditure appropriations increased $5.2 million, or 1.9 percent, over the course of the fiscal year.
- Actual revenues and other financing sources were generally in line with the final budgeted amounts, while actual expenditures were $25.3 million less than the final budgeted amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets as of June 30, 2014, is $330.8 million (net of accumulated depreciation). This investment in capital assets includes land; construction in progress; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; audio visual materials; and computer software. There was a net increase in the value of the District's capital assets this fiscal year primarily due to additions to buildings. This amount represents a net increase of $7.5 million from the 2013-14 fiscal year.

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

Capital Assets (net of depreciation)

	Governmental Activities	
	6-30-14	6-30-13
Land	$ 15,590,442	$ 15,590,442
Construction in Progress	23,299,217	25,018,944
Improvements Other Than Buildings	7,834,530	9,552,862
Buildings and Fixed Equipment	265,997,846	251,516,134
Furniture, Fixtures, and Equipment	8,122,589	10,785,354
Motor Vehicles	7,975,052	9,886,705
Audio Visual Materials	432,095	838,498
Computer Software	1,567,130	96,973
Total Capital Assets	$ 330,818,901	$ 323,285,912

Long-Term Debt

At June 30, 2014, the District has total long-term debt outstanding of $227.8 million. Of that total, $3.9 million is considered to be State School Bonds (i.e., backed by the full faith and credit of the State of Florida), an additional $84 million is secured by District sales tax revenue. Another $3.4 million in a note payable is secured by the General Fund ad valorem tax revenue, The remainder of the District's debt consists of certificates of participation payable of $136.5 million.

Schedule of Outstanding Debt

	Governmental Activities	
	6-30-14	6-30-13
Note Payable	$ 3,360,000	$ 4,480,000
State School/Sales Tax Revenue Bonds	87,900,473	5,093,687
Certificates of Participation Payable	136,559,144	141,780,035
Total Long-Term Debt	$ 227,819,617	$ 151,353,722

During the current fiscal year, the District's long-term debt increased by $76.5 million, or 50.5 percent. On January 22, 2014, the District issued a Sales Tax Revenue Bond in the amount of $75 million which will mature in the year 2027.

The District maintains an "AA" rating from Fitch for its general obligation bonds and an "AA" rating from Fitch for its certificates of participation and sales tax revenue bonds. These ratings were affirmed in December 2013. Moody's Investors Service affirmed the District's "Aa3" bond rating in December 2013. This is a positive stance for the District in an economic climate that finds many institutional bond ratings declining.

Additional information on the District's long-term debt can be found in notes I.F.5 and III.H to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

The budget for the State of Florida seems to be improving. State economists expect tax collections to grow by 4.3 percent in the coming year, and then grow an additional 5 percent in the year after that. Property tax and documentary tax collections are growing strongly. The three main drivers of Florida's economy are development, (e.g., home construction), tourism, and agriculture. These economic drivers generate much of the money to pay for State services.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate compliance and accountability for its resources. Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Leon County District School Board, 2757 West Pensacola Street, Tallahassee, FL 32304-2998.

BASIC FINANCIAL STATEMENTS

LEON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Units
ASSETS				
Cash and Cash Equivalents	$ 76,855,513.51	$ 109,949.69	$ 76,965,463.20	$ 2,157,042.00
Investments	180,700.22		180,700.22	
Accounts Receivable	737,327.20		737,327.20	88,168.00
Due from Other Agencies	7,719,022.99		7,719,022.99	137,543.00
Inventories	1,599,593.13		1,599,593.13	
Prepaid Items				37,106.00
Other Assets				54,832.00
Investments in SBA Fund B Surplus Funds Trust Fund	179,102.21		179,102.21	
Restricted Assets:				
Cash Equivalents with Fiscal Agents	98,837,808.10		98,837,808.10	9,000.00
Investments with Fiscal Agents	2,773,215.96		2,773,215.96	
Capital Assets:				
Nondepreciable Capital Assets	38,889,658.73		38,889,658.73	200,000.00
Depreciable Capital Assets, Net	291,929,241.91		291,929,241.91	14,365,144.00
TOTAL ASSETS	519,701,183.96	109,949.69	519,811,133.65	17,048,835.00
LIABILITIES				
Salaries and Benefits Payable	6,154,024.02		6,154,024.02	202,200.00
Payroll Deductions and Withholdings	3,407,067.29		3,407,067.29	26,635.00
Accounts Payable	6,639,310.99	4,237.20	6,643,548.19	1,327,440.00
Construction Contracts Payable - Retainage	623,359.53		623,359.53	
Matured Bonds Payable	3,000.00		3,000.00	
Deposits Payable	214,024.70		214,024.70	
Advanced Revenue				2,437.00
Long-Term Liabilities:				
Portion Due Within One Year	14,418,608.00		14,418,608.00	497,605.00
Portion Due After One Year	262,762,418.69		262,762,418.69	14,282,156.00
TOTAL LIABILITIES	294,221,813.22	4,237.20	294,226,050.42	16,338,473.00
NET POSITION				
Net Investment in Capital Assets	179,990,141.20		179,990,141.20	74,497.00
Restricted for:				
State Required Carryover Programs	3,041,212.88		3,041,212.88	
Debt Service	25,631,987.39		25,631,987.39	
Capital Projects	110,128,510.93		110,128,510.93	
Food Service	2,002,891.15		2,002,891.15	
Other Purposes	1,002.00		1,002.00	69,373.00
Unrestricted	(95,316,374.81)	105,712.49	(95,210,662.32)	566,492.00
TOTAL NET POSITION	$ 225,479,370.74	$ 105,712.49	$ 225,585,083.23	$ 710,362.00

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

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LEON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental Activities:				
Instruction	$ 159,806,191.66	$ 6,446,969.34	$	$
Student Personnel Services	10,403,068.36			
Instructional Media Services	3,684,191.30			
Instruction and Curriculum Development Services	14,148,901.66			
Instructional Staff Training Services	1,808,357.92			
Instruction Related Technology	2,451,247.48			
School Board	1,071,766.23			
General Administration	2,977,389.91			
School Administration	19,217,917.84			
Facilities Acquisition and Construction	2,832,029.45		626,512.00	175,301.35
Fiscal Services	2,468,569.46			
Food Services	13,223,247.58	2,934,421.02	10,074,396.78	
Central Services	6,462,242.70			
Student Transportation Services	12,531,459.49			
Operation of Plant	19,429,237.34			
Maintenance of Plant	7,895,897.44			
Administrative Technology Services	5,194,367.49			
Community Services	7,103,080.79			
Unallocated Interest on Long-Term Debt	6,831,252.48			1,185,482.24
Unallocated Depreciation Expense	18,612,792.00			
Total Governmental Activities	318,153,208.58	9,381,390.36	10,700,908.78	1,360,783.59
Business-Type Activities:				
District Permitting Office	25,160.93	33,092.00		
Total Primary Government	$ 318,178,369.51	$ 9,414,482.36	$ 10,700,908.78	$ 1,360,783.59
Component Units				
Charter Schools/Educational Foundation	$ 13,992,461.00	$ 455,035.00	$ 1,243,533.00	$ 617,230.00

General Revenues:
Taxes:
Property Taxes, Levied for Operational Purposes
Property Taxes, Levied for Capital Projects
Local Sales Taxes
Grants and Contributions Not Restricted to Specific Programs
Unrestricted Investment Earnings
Miscellaneous
Special Items

Total General Revenues and Special Items

Change in Net Position

Net Position - Beginning
Adjustment to Beginning Net Position

Restated Net Position - Beginning

Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
$ (153,359,222.32)	$	$ (153,359,222.32)	$
(10,403,068.36)		(10,403,068.36)	
(3,684,191.30)		(3,684,191.30)	
(14,148,901.66)		(14,148,901.66)	
(1,808,357.92)		(1,808,357.92)	
(2,451,247.48)		(2,451,247.48)	
(1,071,766.23)		(1,071,766.23)	
(2,977,389.91)		(2,977,389.91)	
(19,217,917.84)		(19,217,917.84)	
(2,030,216.10)		(2,030,216.10)	
(2,468,569.46)		(2,468,569.46)	
(214,429.78)		(214,429.78)	
(6,462,242.70)		(6,462,242.70)	
(12,531,459.49)		(12,531,459.49)	
(19,429,237.34)		(19,429,237.34)	
(7,895,897.44)		(7,895,897.44)	
(5,194,367.49)		(5,194,367.49)	
(7,103,080.79)		(7,103,080.79)	
(5,645,770.24)		(5,645,770.24)	
(18,612,792.00)		(18,612,792.00)	
(296,710,125.85)		(296,710,125.85)	
	7,931.07	7,931.07	
(296,710,125.85)	7,931.07	(296,702,194.78)	
			(11,676,663.00)
82,598,443.05		82,598,443.05	
21,184,865.38		21,184,865.38	
19,580,272.07		19,580,272.07	
173,559,313.07		173,559,313.07	11,006,417.00
175,262.31	2,614.97	177,877.28	16,415.00
8,389,639.71		8,389,639.71	139,004.00
			(60,249.00)
305,487,795.59	2,614.97	305,490,410.56	11,101,587.00
8,777,669.74	10,546.04	8,788,215.78	(575,076.00)
218,308,018.00	95,166.45	218,403,184.45	1,285,438.00
(1,606,317.00)		(1,606,317.00)	
216,701,701.00	95,166.45	216,796,867.45	1,285,438.00
$ 225,479,370.74	$ 105,712.49	$ 225,585,083.23	$ 710,362.00

LEON COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service - ARRA Economic Stimulus Fund
ASSETS				
Cash and Cash Equivalents	$ 43,489,427.34	$	$	$
Investments	38,626.46	2,101.79		
Accounts Receivable	265,852.73	8,000.00		417,999.47
Due from Other Funds	1,079,025.34			
Due from Other Agencies	1,457,176.57	2,113,278.68	373,006.45	
Investments in SBA Fund B Surplus Funds Trust Fund	85,204.61	3,196.47		
Inventories	1,073,277.74			
Cash Equivalents with Fiscal Agents				3,282,430.33
Investments with Fiscal Agents				
TOTAL ASSETS	$ 47,488,590.79	$ 2,126,576.94	$ 373,006.45	$ 3,700,429.80
LIABILITIES AND FUND BALANCES				
Liabilities:				
Salaries and Benefits Payable	$ 5,857,272.40	$ 296,751.62	$	$
Payroll Deductions and Withholdings	3,273,052.74	129,530.02	173.14	
Accounts Payable	4,281,160.33	180,782.37	79,272.43	
Construction Contracts Payable - Retainage				
Due to Other Funds		1,519,512.93	292,558.88	491,267.35
Matured Bonds Payable				
Deposits Payable				
Total Liabilities	13,411,485.47	2,126,576.94	372,004.45	491,267.35
Fund Balances:				
Nonspendable for Inventories	1,073,277.74			
Restricted for:				
State Required Carryover Programs	3,041,212.88			
Debt Service				3,209,162.45
Capital Projects				
Food Service				
Federal Required Carryover Programs			1,002.00	
Total Restricted Fund Balance	3,041,212.88		1,002.00	3,209,162.45
Assigned for:				
Specific Projects	18,726,227.93			
Unassigned Fund Balance	11,236,386.77			
Total Fund Balances	34,077,105.32		1,002.00	3,209,162.45
TOTAL LIABILITIES AND FUND BALANCES	$ 47,488,590.79	$ 2,126,576.94	$ 373,006.45	$ 3,700,429.80

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

Capital Projects - District Bonds Fund	Capital Projects - ARRA Economic Stimulus Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$	$	$ 21,736,587.59	$ 11,629,498.58	$ 76,855,513.51
		40,813.59	99,158.38	180,700.22
7.18		801.90	44,665.92	737,327.20
		73,104.00	1,657,832.40	2,809,961.74
		3,369,844.67	195,062.69	7,508,369.06
		90,029.11	672.02	179,102.21
			526,315.39	1,599,593.13
76,227,069.55		665,541.05	18,662,767.17	98,837,808.10
		98,246.84	2,674,969.12	2,773,215.96
$ 76,227,076.73	$ 0.00	$ 26,074,968.75	$ 35,490,941.67	$ 191,481,591.13

$	$	$	$	$ 6,154,024.02
			4,311.39	3,407,067.29
192,466.20		1,495,701.26	409,928.40	6,639,310.99
		600,584.41	22,775.12	623,359.53
73,104.00			222,864.65	2,599,307.81
			3,000.00	3,000.00
			214,024.70	214,024.70
265,570.20		2,096,285.67	876,904.26	19,640,094.34
			526,315.39	1,599,593.13
				3,041,212.88
			22,422,824.94	25,631,987.39
75,961,506.53		23,978,683.08	10,188,321.32	110,128,510.93
			1,476,575.76	1,476,575.76
				1,002.00
75,961,506.53		23,978,683.08	34,087,722.02	140,279,288.96
				18,726,227.93
				11,236,386.77
75,961,506.53		23,978,683.08	34,614,037.41	171,841,496.79
$ 76,227,076.73	$ 0.00	$ 26,074,968.75	$ 35,490,941.67	$ 191,481,591.13

LEON COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014

Total Fund Balances - Governmental Funds		$ 171,841,496.79
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		330,818,900.64
Long-term liabilities are not due and payable in the fiscal year and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at fiscal year-end consist of:		
Estimated Insurance Claims Payable	$ 6,325,022.00	
Notes Payable	3,360,000.00	
Bonds Payable	87,900,473.37	
Certificates of Participation Payable	136,559,143.51	
Other Postemployment Benefits Payable	14,865,279.01	
Compensated Absences Payable	28,171,108.80	(277,181,026.69)
Net Position - Governmental Activities		$ 225,479,370.74

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

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LEON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	General Fund	Special Revenue - Other Fund	Special Revenue - Federal Economic Stimulus Fund	Debt Service - ARRA Economic Stimulus Fund
Revenues				
Intergovernmental:				
Federal Direct	$ 236,027.21	$ 2,189,358.40	$	$ 828,541.71
Federal Through State and Local	52,170.64	21,094,251.15	1,399,311.72	
State	149,268,135.77			
Local:				
Property Taxes	82,598,443.05			
Local Sales Taxes				
Charges for Services- Food Service				
Miscellaneous	11,510,768.91			785.09
Total Local Revenues	94,109,211.96			785.09
Total Revenues	243,665,545.58	23,283,609.55	1,399,311.72	829,326.80
Expenditures				
Current - Education:				
Instruction	148,726,993.06	10,268,088.88	373,216.03	
Student Personnel Services	8,975,429.04	1,399,237.45		
Instructional Media Services	3,668,472.42	4,799.98		
Instruction and Curriculum Development Services	8,928,992.05	5,146,126.04	31,656.85	
Instructional Staff Training Services	255,746.26	1,247,071.15	302,331.10	
Instruction Related Technology	2,368,517.56	75,766.66		
School Board	1,070,497.34			
General Administration	1,492,559.87	1,351,299.63	129,326.12	
School Administration	19,113,915.60	18,185.75	23,952.13	
Facilities Acquisition and Construction	762,574.11	75,891.36		
Fiscal Services	2,461,075.09			
Food Services				
Central Services	6,168,731.07	270,165.66	7,237.45	
Student Transportation Services	12,407,851.81	93,120.92		
Operation of Plant	19,363,066.14	40,868.83		
Maintenance of Plant	7,874,542.67	2,444.95		
Administrative Technology Services	5,074,856.88		108,000.00	
Community Services	4,798,398.00	2,298,694.44		
Fixed Capital Outlay:				
Facilities Acquisition and Construction	534,967.81			
Other Capital Outlay	144,757.48	991,847.85	423,592.04	
Debt Service:				
Principal				
Interest and Fiscal Charges				900,099.64
Total Expenditures	254,191,944.26	23,283,609.55	1,399,311.72	900,099.64
Excess (Deficiency) of Revenues Over Expenditures	(10,526,398.68)			(70,772.84)
Other Financing Sources (Uses)				
Transfers In	3,173,786.00			3,279,895.29
Bonds Issued				
Premium on Sales of Bonds				
Transfers Out				
Total Other Financing Sources (Uses)	3,173,786.00			3,279,895.29
Net Change in Fund Balances	(7,352,612.68)			3,209,122.45
Fund Balances, Beginning	41,429,718.00		1,002.00	40.00
Fund Balances, Ending	$ 34,077,105.32	$ 0.00	$ 1,002.00	$ 3,209,162.45

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

Capital Projects - District Bonds Fund	Capital Projects - ARRA Economic Stimulus Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$	$	$	$ 1,716,435.39	$ 4,970,362.71
			9,911,450.78	32,457,184.29
		626,512.00	1,726,654.62	151,621,302.39
			21,184,865.38	103,783,308.43
		19,580,272.07		19,580,272.07
			2,934,421.02	2,934,421.02
1,808.03	534.61	30,307.88	40,925.89	11,585,130.41
1,808.03	534.61	19,610,579.95	24,160,212.29	137,883,131.93
1,808.03	534.61	20,237,091.95	37,514,753.08	326,931,981.32
				159,368,297.97
				10,374,666.49
				3,673,272.40
				14,106,774.94
				1,805,148.51
				2,444,284.22
				1,070,497.34
				2,973,185.62
				19,156,053.48
	62,310.32	1,461,982.81	467,076.58	2,829,835.18
				2,461,075.09
			13,207,109.23	13,207,109.23
				6,446,134.18
				12,500,972.73
				19,403,934.97
				7,876,987.62
				5,182,856.88
				7,097,092.44
265,570.20	1,626,681.21	15,085,785.77	5,018,399.10	22,531,404.09
		1,376,041.54	679,240.64	3,615,479.55
			7,397,000.00	7,397,000.00
			6,312,988.06	7,213,087.70
265,570.20	1,688,991.53	17,923,810.12	33,081,813.61	332,735,150.63
(263,762.17)	(1,688,456.92)	2,313,281.83	4,432,939.47	(5,803,169.31)
	7,733.92		12,089,303.18	18,550,718.39
75,000,000.00				75,000,000.00
1,225,268.70			8,019,461.40	9,244,730.10
		(1,000,115.75)	(17,550,602.64)	(18,550,718.39)
76,225,268.70	7,733.92	(1,000,115.75)	2,558,161.94	84,244,730.10
75,961,506.53	(1,680,723.00)	1,313,166.08	6,991,101.41	78,441,560.79
	1,680,723.00	22,665,517.00	27,622,936.00	93,399,936.00
$ 75,961,506.53	$ 0.00	$ 23,978,683.08	$ 34,614,037.41	$ 171,841,496.79

LEON COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Net Change in Fund Balances - Governmental Funds		$ 78,441,560.79
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current fiscal year.		7,532,988.64
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceed repayments in the current fiscal year.		
Bonds Issued	$ (75,000,000.00)	
Notes Principal Payments	1,120,000.00	
Bonds Principal Payments	1,115,000.00	
Certificates of Participation Principal Payments	5,162,000.00	(67,603,000.00)
Amortized expenses for deferred charges and premiums on debt issues not reported in the governmental funds.		
Premium on Sales of Bonds	(9,244,730.10)	
Current Year Premium Amortization	381,835.22	(8,862,894.88)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the fiscal year, while in the governmental funds, expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current fiscal year.		1,230,695.20
Other postemployment benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the other postemployment benefits liability for the current fiscal year.		(1,086,893.01)
The net change in the liability for estimated insurance claims is reported in the government wide statements, but not in the governmental funds statements.		(874,787.00)
Change in Net Position - Governmental Activities		$ 8,777,669.74

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, 2014

	Business-Type Activities - Nonmajor Enterprise Fund
	District Permitting Office
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 109,949.69
LIABILITIES	
Current Liabilities:	
Accounts Payable	4,237.20
NET POSITION	
Unrestricted	$ 105,712.49

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

LEON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities - Nonmajor Enterprise Fund
	District Permitting Office
OPERATING REVENUES	
Charges for Services	$ 33,092.00
OPERATING EXPENSES	
Purchased Services	23,675.62
Materials and Supplies	1,138.31
Capital Outlay	47.00
Other Expenses	300.00
Total Operating Expenses	25,160.93
Operating Income	7,931.07
NONOPERATING REVENUES	
Interest Revenue	2,614.97
Change in Net Position	10,546.04
Total Net Position - Beginning	95,166.45
Total Net Position - Ending	$ 105,712.49

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

LEON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities - Nonmajor Enterprise Fund District Permitting Office
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Services	$ 33,092.00
Cash Payments to Suppliers for Goods and Services	(21,191.88)
Net Cash Provided by Operating Activities	11,900.12
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	2,614.97
Net Increase in Cash and Cash Equivalents	14,515.09
Cash and Cash Equivalents, Beginning	95,434.60
Cash and Cash Equivalents, Ending	$ 109,949.69

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:

Operating Income	$ 7,931.07
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Accounts Payable	3,969.05
Net Cash Provided by Operating Activities	$ 11,900.12

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, 2014

	Other Employee Benefits Trust Fund	Private-Purpose Trust Fund	Agency Funds
ASSETS			
Cash and Cash Equivalents	$ 11,061,133.77	$ 45,715.22	$ 4,090,337.00
Accounts Receivable	32,998.36		
TOTAL ASSETS	$ 11,094,132.13	$ 45,715.22	$ 4,090,337.00
LIABILITIES			
Salaries and Benefits Payable	$ 210,298.34	$	$
Payroll Deductions and Withholdings	6,704,700.48		
Due to Other Funds			210,653.93
Internal Accounts Payable			3,879,683.07
Total Liabilities	6,914,998.82		$ 4,090,337.00
NET POSITION			
Held in Trust for Employee Benefits and Other Purposes	$ 4,179,133.31	$ 45,715.22	

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

LEON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Other Employee Benefits Trust Fund	Private-Purpose Trust Fund
ADDITIONS		
Contributions:		
Plan Members	$ 16,246,549.73	$
Employer	19,772,941.69	
Total Contributions	36,019,491.42	
Investment Earnings:		
Interest, Dividends, and Other	22,335.46	8.42
Total Additions	36,041,826.88	8.42
DEDUCTIONS		
Purchased Services	31,151.78	
Payments to Providers	35,393,529.79	
Other		10,744.42
Total Deductions	35,424,681.57	10,744.42
Change in Net Position	617,145.31	(10,736.00)
Net Position - Beginning	3,561,988.00	56,451.22
Net Position - Ending	$ 4,179,133.31	$ 45,715.22

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

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Leon County School District's (District) governmental activities and for each segment of the business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

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

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

The Leon County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in note III.H.2. 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 Foundation for Leon County Schools, Inc. (Foundation); The Bethel Empowerment Foundation, Inc.; The School of Arts and Sciences Foundation, Inc.; Imagine School at Evening Rose; Stars Education Services, Inc.; Capital City High of Leon County; and Governors Charter School.

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.

The Bethel Empowerment Foundation, Inc., conducting business as the C.K. Steele-Leroy Collins Community Charter Middle School; The School of Arts and Sciences Foundation, Inc.; Stars Education Services, Inc.; Capital City High of Leon County; and Governors Charter School (charter schools) are separate not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. Imagine-Leon County, LLC, doing business as Imagine School at Evening Rose, is organized as a limited liability company pursuant to Chapter 608, Florida Statutes, the Florida Limited Liability Company Act, and Section 1002.23, Florida Statutes. Each charter school operates under a charter approved by its sponsor, the Board. A portion of these not-for-profit corporations' funding comes from the District based on their weighted full-time equivalent student membership and the Legislature approved funding for the District. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charters, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District.

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, 2014. The audit reports are filed in the District's administrative offices.

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

C. Basis of Presentation: Government-wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

The fund financial statements provide information about the District's funds, including the fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. 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 Fund – to account for certain Federal grant program resources.
- Special Revenue – Federal Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- Debt Service – ARRA Economic Stimulus Fund – to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related debt issuance costs for the Qualified School Construction Bonds (QSCB) certificates of participation issues.
- 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 – ARRA Economic Stimulus Fund – to account for the financial resources generated by QSCB to be used for new construction.
- Capital Projects – Other Fund – to account for the financial resources generated by various sources such as certificates of participation 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.

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

- Private-Purpose Trust Fund – to account for resources of the Frank Stoutamire Scholarship Trust Fund, the interest earnings of which are used for scholarships to students at Lively Technical Center.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

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

E. Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of 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.

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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 its assets and liabilities.

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

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

F. Assets, Liabilities and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, 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.

2. Investments

Investments consist of amounts placed in the SBA debt service accounts for investment of debt service moneys, amounts placed with the SBA for participation in the Florida PRIME and Fund B Surplus Funds Trust Fund (Fund B) investment pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. These investment pools operate 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.

The District's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 1.84438408 at June 30, 2014. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to Florida PRIME, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within Florida PRIME.

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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.

3. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption in the course of District operations. Warehouse, Maintenance, and Transportation inventories are stated on a weighted, moving-average basis. Food service inventories are stated at the last invoice price, which approximates the first-in, first-out basis, except that 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.

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $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 Lives
Improvements Other Than Buildings	8 - 35 years
Buildings and Fixed Equipment	40 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials	3 - 5 years
Computer Software	5 years

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

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

5. **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.

6. **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.

7. **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.

8. **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

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2014.

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. The assigned fund balance includes $68,240 for medical reimbursement programs, $1,486,606 assigned for E-Rate programs, and $17,171,381.93 assigned to other programs.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the 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

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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.

3. District Property Taxes

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

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

The Board adopted the 2013 tax levy on September 10, 2013. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

4. Capital Outlay Surtax

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, 2013, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

5. Federal Revenue Sources

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

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

6. Compensated Absences

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

7. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary 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.

II. ACCOUNTING CHANGES

Governmental Accounting Standards Board Statement No. 65. The District implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* effective for the 2013-14 fiscal year. GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources and deferred inflows of resources, certain items previously reported as assets and liabilities, respectively. As such, the District decreased the beginning net position by $1,606,317 to $216,701,701 in the government-wide statement of activities for deferred debt issuance costs of previously issued debt, which was previously reported as an asset. This reporting change affects the comparability of amounts reported for the 2013-14 fiscal year with amounts reported for the 2012-13 fiscal year.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

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

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B. Investments

As of June 30, 2014, the District had the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration:		
Florida PRIME (2)	40 Day Average	$ 748,215.68
Fund B (3)	2.86 Year Average	277,349.05
Debt Service Accounts	6 Months	98,025.59
United States Treasury Securities (4)	November 2020	2,674,969.12
First American Government Obligations Money Market Fund (1) (4)	40 Day Average	83,843,965.95
Fidelity Institutional Money Market Fund - Federal Government Portfolio - Class I (1) (4)	43 Day Average	8,818,124.57
Fidelity Institutional Money Market Fund - Treasury Portfolio - Class III (1) (4)	60 Day Average	5,510,176.53
Total Investments, Primary Government		$ 101,970,826.49

Notes: (1) These investments are reported as cash equivalents for financial statement reporting purposes.
(2) A portion of these funds ($665,541.05) is held under a trust agreement in connection with Series 2006 Certificates of Participation and reported as a cash equivalent for financial statement reporting purposes. (See note III.H.2.)
(3) A portion of these funds ($98,246.84) is held under a trust agreement in connection with Series 2006 Certificates of Participation. (See note III.H.2.)
(4) This investment is held under a trust agreement in connection with the sinking fund requirements related to the Series 2004 QZAB Certificates of Participation; Series 2005 Certificates of Participation; Series 2006 Certificates of Participation; Series 2010 QZAB Certificates of Participation; Series 2010 QSCB Certificates of Participation; and the 2014 Sales Tax Revenue Bonds. (See note III.H.2.)

- Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. In accordance with its investment policy, the District manages its exposure to declines in fair value by limiting the weighted average maturity of its investments to less than six months. Fund B, for which participation is involuntary, and the United States Treasury Securities, which is held in trust for the future retirement of Series 2004 QZAB Certificates of Participation, are exceptions to this policy.

Florida PRIME had a weighted average days to maturity (WAM) of 40 days at June 30, 2014. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. Due to the nature of the securities in Fund B, the interest rate risk information required by GASB Statement No. 40 (i.e., specific identification, duration, weighted average maturity, segmented time distribution, or simulation model) is not available. An estimate of the weighted average life (WAL) is available. In the calculation of the WAL, the time at which an expected principal amount is to be received, measured in years, is weighted by the principal amount received at that time divided by the sum of all expected principal payments. The principal amounts used in the WAL calculation are not discounted to present value as they would be in a weighted average duration calculation. The WAL, based on expected future cash flows, of Fund B at June 30, 2014, is estimated at 2.86 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the WAL. Participation in Fund B is involuntary.

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- Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission (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.

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 & Poor's. Fund B is unrated.

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

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

The District's investments in the Fidelity Institutional Money Market Fund – Treasury Portfolio – Class III are rated Aaa by Moody's Investors Service and AAAm by Standard & Poor's.

The District's investments in United States Treasury Securities are rated Aaa by Moody's investors Service.

- Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Section 218.415(18), Florida Statutes, requires the District to earmark all investments and 1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the governing body's interest in the security; 2) if in book-entry form, the investment must be held for the credit of the governing body by a depository chartered by the Federal Government, the State, or any other state or territory of the United States which has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States, which is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or 3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The District does not have a formal investment policy that addresses custodial credit risk.

Of the District's $2,674,969.12 investment in United States Treasury securities, all of the underlying securities are held by the investment's counterparty, not in the name of the District.

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C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 15,590,442.00	$	$	$ 15,590,442.00
Construction in Progress	25,018,944.00	17,466,904.70	19,186,631.97	23,299,216.73
Total Capital Assets Not Being Depreciated	40,609,386.00	17,466,904.70	19,186,631.97	38,889,658.73
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	35,344,659.00	112,083.45		35,456,742.45
Buildings and Fixed Equipment	424,937,260.00	24,139,047.91		449,076,307.91
Furniture, Fixtures, and Equipment	54,012,125.00	2,045,599.20	1,376,459.00	54,681,265.20
Motor Vehicles	27,143,640.00	90,207.76		27,233,847.76
Audio Visual Materials	4,285,088.00	8,680.00		4,293,768.00
Computer Software	789,587.00	1,470,992.59		2,260,579.59
Total Capital Assets Being Depreciated	546,512,359.00	27,866,610.91	1,376,459.00	573,002,510.91
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	25,791,797.00	1,830,415.00		27,622,212.00
Buildings and Fixed Equipment	173,421,126.00	9,657,336.00		183,078,462.00
Furniture, Fixtures, and Equipment	43,226,771.00	4,707,261.00	1,375,356.00	46,558,676.00
Motor Vehicles	17,256,935.00	2,001,861.00		19,258,796.00
Audio Visual Materials	3,446,590.00	415,083.00		3,861,673.00
Computer Software	692,614.00	836.00		693,450.00
Total Accumulated Depreciation	263,835,833.00	18,612,792.00	1,375,356.00	281,073,269.00
Total Capital Assets Being Depreciated, Net	282,676,526.00	9,253,818.91	1,103.00	291,929,241.91
Governmental Activities Capital Assets, Net	$ 323,285,912.00	$ 26,720,723.61	$ 19,187,734.97	$ 330,818,900.64

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

D. Florida Retirement System

Essentially all regular employees of the District are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

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Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal benefits at age 60 or at any age after 30 years of service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

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

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The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
FRS, Regular	3.00	6.95
FRS, Elected County Officers	3.00	33.03
FRS, Special Risk Regular	3.00	19.06
DROP - Applicable to Members from All of the Above Classes	0.00	12.84
FRS, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled $10,665,544, $11,771,826, and $16,281,951, respectively, which were equal to the required contributions for each fiscal year.

There were 515 District participants in the Investment Plan during the 2013-14 fiscal year. The District's contributions including employee contributions to the Investment Plan totaled $1,688,625, which were equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850)413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement, Research and Education Section, by mail at P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at (877)377-1737 or (850)488-5706; by e-mail at rep@dms.myflorida.com; or at the Division's Web site (www.frs.myflorida.com).

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees

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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 2013-14 fiscal year, 311 retirees received other postemployment benefits. The District's contribution to the OPEB obligation is the implicit subsidy for the retirees, which was $1,648,639. 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 $2,045,985, 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. 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	Amount
Normal Cost (service cost for one year)	$ 1,367,095.00
Amortization of Unfunded Actuarial Accrued Liability	1,835,918.00
Annual Required Contribution	3,203,013.00
Interest on Net OPEB Obligation	516,689.00
Adjustment to Annual Required Contribution	(984,170.00)
Annual OPEB Cost (Expense)	2,735,532.00
Contribution Toward the OPEB Cost	(1,648,639.00)
Increase in Net OPEB Obligation	1,086,893.00
Net OPEB Obligation, Beginning of Year	13,778,386.00
Net OPEB Obligation, End of Year	$ 14,865,279.00

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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, 2014, and the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	$ 2,806,007	57.81%	$ 12,555,468
2012-13	2,924,130	58.18%	13,778,386
2013-14	2,735,532	60.27%	14,865,279

Funded Status and Funding Progress. As of October 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was $25,234,070, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $25,234,070 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $114,709,308, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 22 percent.

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment 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, 2013, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2014, and the District's 2013-14 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.75 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 3.75 percent per year, and an annual healthcare cost trend rate of 8.5 percent for the 2013-14 fiscal year, reduced to an ultimate rate of 5 percent after 10 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014, was 14 years.

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F. 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, 2014:

Major Funds					
General	Special Revenue - Other	Capital Projects - District Bonds	Capital Projects - Other	Nonmajor Governmental Funds	Total Governmental Funds
$ 1,652,421.84	$ 45,743.54	$ 2,151,415.24	$ 11,542,782.93	$ 1,322,422.97	$ 16,714,786.52

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

Project	Contract Amount	Completed to Date	Balance Committed
Bloxham Building- HVAC	$ 339,454.89	$	$ 339,454.89
Bloxham Building- Roofing	1,037,433.76	811,515.38	225,918.38
Cobb Middle School - Renovations & Site	810,846.72	223,515.03	587,331.69
Ghazvini Learning Center - Site Mitigation	247,155.00	152,801.34	94,353.66
Godby High School - HVAC & Renovations	1,187,913.00	553,903.71	634,009.29
Hartsfield Elementary - Renovations	1,156,028.00	464,808.60	691,219.40
Leon High School - Renovations	673,004.00	146,452.13	526,551.87
Lincoln High School - New Construction	1,584,000.00	513,314.85	1,070,685.15
Oak Ridge Elementary School - Renovations	1,120,000.00	393,526.91	726,473.09
Pineview Elementary - Renovations & Remodeling	1,169,420.36	165,342.60	1,004,077.76
Rickards High School - Structural	65,551.00	52,174.72	13,376.28
Riley Elementary School - Renovations	569,823.00	172,986.51	396,836.49
Roberts Elementary School- Site Work	116,700.00	31,771.84	84,928.16
Sabal Palm Elementary School - Renovations	987,984.67	407,180.07	580,804.60
Sealey Elementary School - Renovations	991,405.80	185,522.22	805,883.58
Transportation - Bus Maintenance Building Foundation, Sitework and Lift Equipment	1,969,445.53		1,969,445.53
Transportation - Bus Maintenance Building Foundation, Sitework and Lift Equipment	870,503.52	723,992.22	146,511.30
WT Moore Elementary School - New Construction	1,310,172.00		1,310,172.00
Total	$ 16,206,841.25	$ 4,998,808.13	$ 11,208,033.12

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Property protection, workers' compensation, automobile liability, and general liability coverage are being provided on a self-insured basis up to 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 self-insurance programs, including the processing, investigating, and payment of claims.

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A liability in the amount of $6,325,022 was actuarially determined to cover estimated incurred but not reported insurance claims payable at June 30, 2014.

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

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2012-13	$ 6,121,615	$ 650,628	$ (1,322,008)	$ 5,450,235
2013-14	5,450,235	2,029,562	(1,154,775)	6,325,022

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.

H. Long-Term Liabilities

1. Note Payable

Note Description	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
Section 1011.14, Florida Statutes, Note: School Buses	$ 3,360,000	1.56	2016

The District entered into a financing arrangement on November 9, 2011, under the provisions 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.

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

Fiscal Year Ending June 30	Total	Principal	Interest
2015	$ 1,163,764	$ 1,120,000	$ 43,764
2016	1,146,258	1,120,000	26,258
2017	1,128,753	1,120,000	8,753
Total	$ 3,438,775	$ 3,360,000	$ 78,775

2. Certificates of Participation

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

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

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

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

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

On July 25, 2008, the master financing arrangement was amended and the 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.

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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.

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.

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, and 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 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

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

fixed rate of 4.84 percent. The lease payments for the Series 2010 QZABs are payable annually on December 1 at a fixed interest rate of 5.68 percent. Both the Series 2010 QSCBs and the Series 2010 QZABs receive a Federal subsidy at the same rate of interest as the bond, resulting in a net zero percent cost to the District.

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

Fiscal Year Ending June 30	Total	Principal	Interest
2015	$ 8,426,889	$ 5,312,000	$ 3,114,889
2016	8,409,059	5,472,000	2,937,059
2017	8,381,029	5,632,000	2,749,029
2018	8,366,032	5,817,000	2,549,032
2019	8,333,466	5,997,000	2,336,466
2020-2024	44,638,001	36,618,000	8,020,001
2025-2029	72,414,953	71,046,240	1,368,713
Total Minimum Lease Payments	$ 158,969,429	135,894,240	$ 23,075,189
Add: Unamortized Premium		664,904	
Total Certificates of Participation		$ 136,559,144	

3. Bonds Payable

Bonds payable at June 30, 2014, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2005A	$ 1,900,000	5	2017
Series 2005B, Refunding	375,000	5	2018
Series 2009A	845,000	4 - 5	2029
Series 2009A, Refunding	190,000	5	2019
Series 2010A, Refunding	570,000	4 - 5	2021
District Revenue Bonds:			
Sales Tax Revenue Bonds, 2014	75,000,000	2 - 5	2027
Total Bonds	78,880,000		
Add: Unamortized Bond Premiums	9,020,473		
Total Bonds Payable	$ 87,900,473		

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

- State School Bonds

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

- Sales 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 2013-14 fiscal year, the District recognized sales tax revenues totaling $19,580,272 and expended $373,605 (2 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt, or September 1, 2027. Assuming a nominal growth rate in the collection of sales tax revenues, approximately 35 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2015	$ 1,190,738	$ 1,005,000	$ 185,738
2016	1,205,488	1,070,000	135,488
2017	546,988	465,000	81,988
2018	313,738	255,000	58,738
2019	215,988	170,000	45,988
2020-2024	611,938	475,000	136,938
2025-2029	478,038	420,000	58,038
Total State School Bonds	4,562,916	3,860,000	702,916
Sales Tax Revenue Bonds:			
2015	5,928,600	2,505,000	3,423,600
2016	7,506,000	4,170,000	3,336,000
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
2020-2024	37,169,750	27,490,000	9,679,750
2025-2028	29,672,825	27,295,000	2,377,825
Total District Revenue Bonds	102,644,025	75,000,000	27,644,025
Total	$ 107,206,941	$ 78,860,000	$ 28,346,941

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

4. 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, 2014, is as follows:

COPs Issue	Defeased Debt
COPs, Series 1997	$ 17,540,000

5. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Estimated Insurance Claims Payable	$ 5,450,235.00	$ 2,029,562.00	$ 1,154,775.00	$ 6,325,022.00	$ 1,134,640.00
Note Payable	4,480,000.00		1,120,000.00	3,360,000.00	1,120,000.00
Bonds Payable	5,093,687.00	84,244,730.10	1,437,943.73	87,900,473.37	3,510,000.00
Certificates of Participation Payable	141,780,035.00		5,220,891.49	136,559,143.51	5,312,000.00
Compensated Absences Payable	29,401,804.00	1,971,120.35	3,201,815.54	28,171,108.81	3,341,968.00
Other Postemployment Benefits Payable	13,778,386.00	2,735,532.00	1,648,639.00	14,865,279.00	
Total Governmental Activities	$ 199,984,147.00	$ 90,980,944.45	$ 13,784,064.76	$ 277,181,026.69	$ 14,418,608.00

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

I. 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.
- **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.

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

- **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.

J. Interfund Receivables and Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	$ 1,079,025.34	$
Special Revenue:		
Other		1,519,512.93
Federal Economic Stimulus		292,558.88
Debt Service:		
ARRA Economic Stimulus		491,267.35
Capital Projects:		
District Bonds		73,104.00
Other	73,104.00	
Nonmajor Governmental	1,657,832.40	222,864.65
Fiduciary		210,653.93
Total	$ 2,809,961.74	$ 2,809,961.74

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.

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

K. Revenues and Expenditures/Expenses

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2013-14 fiscal year:

Source	Amount
Florida Education Finance Program	$ 101,128,440
Categorical Educational Program - Class Size Reduction	35,707,039
Workforce Development Program	6,211,251
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,360,784
School Recognition	1,073,056
Charter School Capital Outlay	626,512
Adults with Disabilities	575,512
Voluntary Prekindergarten Program	542,242
Discretionary Lottery Funds	318,726
Food Service Supplement	157,696
Miscellaneous	3,920,044
Total	$ 151,621,302

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

2. Property Taxes

The following is a summary of millages and taxes levied on the 2013 tax roll for the 2013-14 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.098	$ 74,642,688
Basic Discretionary Local Effort	0.748	10,951,889
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.500	21,962,344
Total	7.346	$ 107,556,922

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

L. Interfund Transfers

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$ 3,173,786.00	$
Debt Service:		
ARRA Economic Stimulus	3,279,895.29	
Capital Projects:		
ARRA Economic Stimulus	7,733.92	
Other		1,000,115.75
Nonmajor Governmental	12,089,303.18	17,550,602.64
Total	$ 18,550,718.39	$ 18,550,718.39

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 (nonmajor governmental funds) for repayment of COPs and sales tax revenue bond, respectively.

IV. 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.

V. SUBSEQUENT EVENTS

In December 2014, the District entered into an $8.1 million installment-purchase agreement for the purchase of 45 school buses. The installment-purchase agreement matures in October 2023 and has a fixed interest rate of 2.033 percent.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

LEON COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2014

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 238,214.30	$ 236,027.21	$ 236,027.21	$
Federal Through State and Local	239,878.00	52,170.64	52,170.64	
State	150,796,855.97	149,033,104.96	149,268,135.77	
Local:				
Property Taxes	81,572,534.00	82,598,443.05	82,598,443.05	
Miscellaneous	7,502,096.27	11,510,768.91	11,510,768.91	
Total Local Revenues	89,074,630.27	94,109,211.96	94,109,211.96	
Total Revenues	240,349,578.54	243,430,514.77	243,665,545.58	
Expenditures				
Current - Education:				
Instruction	161,060,128.21	159,080,251.70	148,726,993.06	10,353,258.64
Student Personnel Services	9,174,386.99	10,768,582.77	8,975,429.04	1,793,153.73
Instructional Media Services	4,039,619.34	3,857,608.48	3,668,472.42	189,136.06
Instruction and Curriculum Development Services	8,287,140.59	9,930,096.02	8,928,992.05	1,001,103.97
Instructional Staff Training Services	399,207.49	545,774.81	255,746.26	290,028.55
Instruction Related Technology	2,284,393.66	2,703,030.95	2,368,517.56	334,513.39
School Board	1,208,866.22	1,195,118.67	1,070,497.34	124,621.33
General Administration	1,845,669.57	1,905,265.81	1,492,559.87	412,705.94
School Administration	18,677,468.37	19,479,288.33	19,113,915.60	365,372.73
Facilities Acquisition and Construction	2,626,918.95	2,974,043.94	762,574.11	2,211,469.83
Fiscal Services	2,121,543.68	2,469,170.47	2,461,075.09	8,095.38
Central Services	9,201,095.68	8,336,226.90	6,168,731.07	2,167,495.83
Student Transportation Services	12,014,120.97	12,629,896.72	12,407,851.81	222,044.91
Operation of Plant	23,050,842.03	22,461,631.62	19,363,066.14	3,098,565.48
Maintenance of Plant	6,602,333.09	8,062,053.93	7,874,542.67	187,511.26
Administrative Technology Services	4,575,259.78	5,438,515.89	5,074,856.88	363,659.01
Community Services	7,160,583.23	6,984,200.34	4,798,398.00	2,185,802.34
Fixed Capital Outlay:				
Facilities Acquisition and Construction		534,967.81	534,967.81	
Other Capital Outlay		144,757.48	144,757.48	
Total Expenditures	274,329,577.85	279,500,482.64	254,191,944.26	25,308,538.38
Deficiency of Revenues Over Expenditures	(33,979,999.31)	(36,069,967.87)	(10,526,398.68)	25,308,538.38
Other Financing Sources				
Transfers In	1,363,061.00	3,173,786.00	3,173,786.00	
Net Change in Fund Balances	(32,616,938.31)	(32,896,181.87)	(7,352,612.68)	25,543,569.19
Fund Balance, Beginning	41,664,748.83	41,709,683.60	41,429,718.00	279,965.60
Fund Balances, Ending	$ 9,047,810.52	$ 8,813,501.73	$ 34,077,105.32	$ 25,823,534.79

Special Revenue - Other Fund				Special Revenue - Federal Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$ 2,033,264.00	$ 2,189,358.40	$ 2,189,358.40	$	$	$	$	$
29,847,684.36	32,127,393.76	21,094,251.15	11,033,142.61	538,527.64	1,507,311.67	1,399,311.72	107,999.95
31,880,948.36	34,316,752.16	23,283,609.55	11,033,142.61	538,527.64	1,507,311.67	1,399,311.72	107,999.95
14,272,788.11	16,899,234.17	10,268,088.88	6,631,145.29	251,210.32	396,461.49	373,216.03	23,245.46
1,782,810.38	1,698,649.58	1,399,237.45	299,412.13				
5,367.00	4,799.98	4,799.98					
6,583,785.83	6,317,101.58	5,146,126.04	1,170,975.54		31,656.85	31,656.85	
3,478,786.93	2,607,158.21	1,247,071.15	1,360,087.06	94,744.14	387,085.59	302,331.10	84,754.49
61,203.86	75,888.52	75,766.66	121.86				
3,250,151.03	2,749,907.96	1,351,299.63	1,398,608.33	17,977.38	129,326.12	129,326.12	
86,083.23	79,582.98	18,185.75	61,397.23	16,686.00	23,952.13	23,952.13	
48,100.00	78,108.16	75,891.36	2,216.80				
			-				
106,014.29	304,779.51	270,165.66	34,613.85	7,909.80	7,237.45	7,237.45	(0.00)
137,276.51	143,546.67	93,120.92	50,425.75				
8,125.07	43,512.97	40,868.83	2,644.14				
10,735.00	10,235.00	2,444.95	7,790.05				
				150,000.00	108,000.00	108,000.00	
2,049,721.12	2,312,399.02	2,298,694.44	13,704.58				
	991,847.85	991,847.85			423,592.04	423,592.04	
31,880,948.36	34,316,752.16	23,283,609.55	11,033,142.61	538,527.64	1,507,311.67	1,399,311.72	107,999.95
						1,002.00	1,002.00
$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 1,002.00	$ 1,002.00

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - (1) (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
October 1, 2008	$ 0	$ 32,190,831	$ 32,190,831	0.0%	$ 126,979,643	25.35%
October 1, 2011	0	27,721,142	27,721,142	0.0%	114,207,168	24.27%
October 1, 2013	0	25,234,070	25,234,070	0.0%	114,709,308	22.00%

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

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2014

I. BUDGETARY BASIS OF ACCOUNTING

The Board follows procedures established by State statutes and State Board of Education (SBE) rules in establishing budget balances for governmental funds, as described below:

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and SBE rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, student personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for government funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

II. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The October 1, 2013, unfunded actuarial accrued liability of $25,234,070 was significantly lower than the October 1, 2011, liability of $27,721,142 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- The number of retirees currently included in the valuation decreased from 360 as of October 1, 2011, to 311 as of October 1, 2013. This change had a decreasing effect on the costs and liabilities. At the same time, the number of active employees increased modestly from 3,104 to 3,112. This change had a nominal increasing effect on the costs and liabilities.
- Recent acceptance patterns among retiring employees rose compared to the last study. We now assume that 55 percent of employees who are covered at the time of retirement and retiring before attaining age 65 would continue coverage under the core District plan, up from 50 percent in the previous valuation. This had an increasing effect on the costs and liabilities. We have also revised the assumed rate at which retirees attaining Medicare- eligibility would elect to lapse coverage. In the previous valuation, we had assumed that 90 percent of retirees will elect to lapse the coverage upon becoming eligible for Medicare. Based on data collected for this valuation, we are now assuming that 95 percent of such retirees will elect to lapse coverage upon becoming eligible for Medicare. This change had a decreasing effect on the costs and liabilities.
- The total assumed cost of coverage increased from $627 per subscriber per month (as expected for the year beginning October 1, 2011) to $690 per subscriber per month for the year beginning October 1, 2013. This is lower than $736 per subscriber per month, expected for that period at the time the previous valuation was performed. Accordingly, this had a decreasing effect on the costs and liabilities.
- We made small revisions in the assumed trend of Medical/Prescription cost increases. In our previous valuation, we assumed 7.5 percent trend for the year beginning October 1, 2014, decreasing 0.5 percent each year thereafter to the ultimate value of 5 percent. We are revising trend rate for the year beginning October 1, 2014 to 8.5 percent and then to follow a similar pattern as assumed previously: 8 percent for both the cost and the premiums for the year beginning October 1, 2015, with trend decreasing

LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
JUNE 30, 2014

by 0.5 percent each subsequent year until reaching the ultimate value of 5 percent. This change had an increasing effect on the costs and liabilities.

- The District's Plan is not projected to be assessed the Excise Tax on High-Cost Employer Health Plans until after it becomes effective in 2018. We are estimating that absent any plan changes, the tax will have no or very little effect on the Plan cost until 2021 at which time we estimate a 0.2 percent increase in the trends for years 2021 through 2023, followed by an increase of 0.52 percent for the 2024 plan year and all subsequent years. This change had a modest increasing effect on the costs and liabilities.

As can be seen from this summary of changes, there may have been offsetting factors at work to change the results from the last full valuation to this one. The net effect was a decrease in the plan's accounting liabilities and in the plan's accounting expense.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

LEON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	13002	$ 2,020,819.65	$
National School Lunch Program	10.555 (2)	13001, 13003	7,482,010.77	
Summer Food Service Program for Children	10.559	3232A, 3252A, 13006, 13007	282,283.29	
Total Child Nutrition Cluster			9,785,113.71	
Florida Department of Agriculture and Consumer Services:				
Specialty Crop Block Grant Program - Farm Bill	10.170	019787, 020807	1,541.86	
Fresh Fruit and Vegetable Program	10.582	13004	126,337.07	
Florida Department of Financial Services:				
Schools and Roads - Grants to States	10.665	None	52,170.64	
Total United States Department of Agriculture			9,965,163.28	
United State Department of Justice:				
Indirect:				
Florida Department of Juvenile Justice				
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	80.029	8,428.41	
United States Department of Education:				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	28,479.00	
Federal Pell Grant Program	84.063	N/A	2,160,879.40	
Total Direct			2,189,358.40	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	8,649,089.21	154,868.52
Special Education - Preschool Grants	84.173	266, 267	536,776.43	102,521.19
Total Special Education Cluster			9,185,865.64	257,389.71
School Improvement Grants Cluster:				
Florida Department of Education:				
School Improvement Grants	84.377	126	951,220.40	
ARRA - School Improvement Grants, Recovery Act	84.388	126	253,291.60	
Total School Improvement Grants Cluster			1,204,512.00	
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 192, 193, 194, 195, 590	354,990.00	
Title I Grants to Local Educational Agencies	84.010	212, 220, 221, 226, 228	7,220,738.30	199,456.34
Career and Technical Education - Basic Grants to States	84.048	151	477,292.04	
Education for Homeless Children and Youth	84.196	127	66,319.30	
Charter Schools	84.282	298	373,500.00	373,500.00
Twenty-First Century Community Learning Centers	84.287	244	939,998.04	
English Language Acquisition State Grants	84.365	102	101,754.75	
Improving Teacher Quality State Grants	84.367	224	1,163,647.58	2,693.03
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RA111, RL111, RG411	1,146,020.12	20,137.44
University of California:				
National Writing Project	84.928	None	1,975.69	
Total Indirect			22,236,613.46	853,176.52
Total United States Department of Education			24,425,971.86	853,176.52
United States Department of Health and Human Services:				
Indirect:				
Child Care and Development Fund Cluster:				
Child Care and Development Block Grant	93.575	SR044	26,613.76	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	SR044	15,026.23	
Total Child Care and Development Fund Cluster			41,639.99	
Early Learning Coalition of the Big Bend Region:				
Temporary Assistance for Needy Families	93.558	SR044	12,627.81	
Total United States Department of Health and Human Services			54,267.80	
Corporation for National and Community Service:				
Indirect:				
Volunteer Florida:				
AmeriCorps	94.006	150198	116,195.96	

LEON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Homeland Security:				
Indirect:				
Florida Department of Education:				
Homeland Security Grant Program	97.067	532	$ 130,783.18	$
United States Department of Defense:				
Direct:				
Air Force Junior Reserve Officers Training Corps	None	N/A	55,297.85	
Army Junior Reserve Officers Training Corps	None	N/A	57,365.72	
Marine Corps Junior Reserve Officers Training Corps	None	N/A	64,577.38	
Navy Junior Reserve Officers Training Corps	None	N/A	58,786.26	
Total United States Department of Defense			236,027.21	
Total Expenditures of Federal Awards			$ 34,936,837.70	$ 853,176.52

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

(2) Noncash Assistance - National School Lunch Program. Includes $695,062.54 of donated food used received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.

DAVID W. MARTIN, CPA
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AUDITOR GENERAL
STATE OF FLORIDA

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

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

Report on the Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Leon County District School Board, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 30, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Financial Statement Finding No. 1 that we consider to be a significant deficiency.

Compliance and Other Matters

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

We noted certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report. In addition, we noted certain matters that we reported to District management in our operational audit report No. 2015-088.

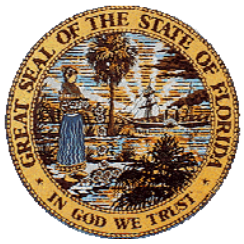
Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included in Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

David W. Martin, CPA
Tallahassee, Florida
March 30, 2015



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Report on Compliance for Each Major Federal Program

We have audited the Leon County District School Board's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2014. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 2014-001. Our opinion on each major Federal program is not modified with respect to this matter.

Report on Internal Control Over Compliance

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

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

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance as described in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 2014-001 that we consider to be a significant deficiency.

Management's Response

Management's response to the finding identified in our audit is included in Exhibit A. Management's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

David W. Martin, CPA
Tallahassee, Florida
March 30, 2015

LEON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

Identification of major programs:

CFDA Numbers:	Name of Federal Program or Cluster:
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster
84.377 and 84.388	School Improvement Grants Cluster
84.395	ARRA – State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs:	$1,048,105
Auditee qualified as low-risk auditee?	No

LEON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FINANCIAL STATEMENT FINDING

SIGNIFICANT DEFICIENCY

Finding No. 1: Financial Reporting

Our review of the District's 2013-14 fiscal year annual financial report, as submitted to the Florida Department of Education (FDOE) and presented for audit, disclosed that financial reporting procedures could be improved. For example:

- Preparation of fund financial statements pursuant to generally accepted accounting principles (GAAP) requires analysis to determine the major funds that require separate columnar presentation. The District is required to report a fund as major when the fund's assets, liabilities, revenues, or expenditures represent at least 10 percent of the total governmental funds for these respective classifications. Separately reporting major funds allows financial statement users to readily identify the District's most significant funds and their related balances and transactions, and ensures compliance with GAAP. However, District personnel erroneously included total fund balance in the total liabilities major fund calculation. Consequently, the Special Revenue - Other Fund was not separately identified and reported as a major fund. In addition, District personnel identified the Capital Projects - Other Fund as a major fund, but the fund was inadvertently not separately reported as a major fund.
- The District incorrectly identified and reported Series 2010 Qualified Zone Academy Bonds (QZABS) in the ARRA – QSCB Capital Projects Fund, resulting in the overstatement of fixed capital outlay expenditures in the ARRA – QSCB Capital Projects Fund and understatement of fixed capital outlay expenditures in the Capital Projects Other Fund by $4 million each. Also, the District overstated the beginning fund balance in the ARRA – QSCB Capital Projects Fund and understated the beginning fund balance in the Capital Projects – Other Fund by $4 million each.
- GAAP require that the basic financial statements include notes to financial statements to describe and explain financial statement presentations, and make other required disclosures relating to the District's financial activity, such as construction and other significant commitments. However, the District omitted the construction commitment disclosure, which includes $11 million committed for significant construction projects during the 2013-14 fiscal year.

Reporting errors and omissions such as those noted above may cause financial statement users to misunderstand the District's financial statements and incorrectly assess the District's financial position. We extended our audit procedures to determine the adjustments necessary to ensure the District's financial statements and notes thereto were materially correct, and District personnel accepted these adjustments. However, our extended audit procedures cannot substitute for management's responsibility to implement adequate controls over financial reporting. Similar findings were noted in the District's 2011-12 and 2012-13 fiscal year audit reports.

Recommendation: The District should improve its financial reporting procedures to ensure that financial statement account balances, transactions, and note disclosures are properly reported.

ADDITIONAL MATTERS

Finding No. 2: Journal Entries

Accounts payable and business office personnel were responsible for preparation of journal entries to adjust balances and transactions in the accounting records, and the Senior Accountant or Director was responsible for review and approval of the entries.

Our test of 30 journal entries for the 2013-14 fiscal year disclosed an appropriate purpose was documented for each of the tested entries; however, District records did not evidence review and approval for 29 of the entries because District procedures did not provide for review and approval of journal entries prepared by business office personnel. Absent documented independent review and approval of journal entries, there is an increased risk that errors or fraud could occur without timely detection.

Recommendation: The District should enhance its procedures to ensure documented independent review and approval of journal entries.

Finding No. 3: Capital Assets

The District reported capital assets with costs totaling approximately $331 million, net of accumulated depreciation, at June 30, 2014. To determine the balances reported for these assets, District personnel generally added the 2013-14 fiscal year capital outlay expenditures to the balances reported on the financial statements at June 30, 2013. While this procedure may result in materially correct balances in the District's financial statements, it is not a substitute for establishing and maintaining an adequate record system to account for the District's individual capital assets.

Our review of subsidiary records maintained for the District's various capital asset types disclosed that significant differences existed between asset balances in the subsidiary records and amounts reported on the financial statements at June 30, 2014, as follows:

Description	Balance – June 30, 2014		
	Per Note III.C of Financial Statements	Per Subsidiary Records	Differences
Improvements Other Than Buildings	$ 35,456,742	$	$
Buildings and Fixed Equipment	449,076,308		
Subtotal	484,533,050	495,354,221	(10,821,171)
Furniture, Fixtures, & Equipment	54,681,265		
Motor Vehicles	27,233,848		
Audio Visual Materials	4,293,768		
Computer Software	2,260,580		
Subtotal	88,469,461	46,351,881	42,117,580
Construction in Progress	23,299,217	31,585,730	(8,286,513)
Total	$ 596,301,728	$ 573,291,832	$ 23,009,896

In response to our inquiry, District personnel indicated that a new system application implemented in July 2013 for maintaining detailed subsidiary records for its capital assets was not programmed to identify capital assets by individual asset class and was not reconciled to the financial statement balances upon implementation, primarily contributing to the differences noted above. Absent sufficiently detailed subsidiary capital assets records and controls to ensure the accuracy of such records, the District has limited assurance that proper accountability is established for these assets.

Recommendation: The District should establish controls over its capital assets to provide for accurate detailed subsidiary records.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 2014-001:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Special Education Cluster (CFDA No. 84.027)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: None

Allowable Costs/Cost Principles. United States Office of Management and Budget (OMB) Circular A-87, Attachment A, Section C.1, provides, in part, that costs must be adequately documented to be allowable under Federal Awards. For the 2013-14 fiscal year, the District reported Special Education program expenditures totaling $9,185,866 for salaries and benefits, purchased services, and other costs, and we tested the propriety of $301,000 of these expenditures.

Our tests of Special Education program expenditures disclosed that expenditures were generally appropriate; however, for payments for psychological services to one vendor, totaling $41,910, District records did not initially evidence that District personnel with direct knowledge confirmed and documented receipt of the services by using records, such as sign-in and out sheets. Subsequent to our inquiry, District personnel provided documentation evidencing the propriety of these expenditures. Without documenting that contracted services received are consistent with District expectations prior to payment, there is an increased risk that services may not be consistent with District intent and Federal regulations, and for errors or fraud to occur without timely detection.

Recommendation: The District should enhance its procedures to ensure that services are received prior to payment.

District Contact Person and Title: Dr. T. Alan Cox, Divisional Director, Exceptional Student Education and Coordinated School Health

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in previous audit reports, except for Finding No. 1, which was also included in the two previous financial audit reports as Finding Nos. 12-06 and 13-01, respectively.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

LEON COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

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

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
Thomas Howell Fergusson, P.A. and Law, Redd, Crona, & Munroe, P.A.				
2013-1	School Improvement Grants, Recovery Act (CFDA No. 84.388) - Allowable Costs/Cost principles	Required documentation to support certain personnel charges to the program were not maintained, resulting in $303,365 of questioned costs.	Partially corrected.	The District took corrective action; however, the grantor has not issued final determination with regard to the questioned costs.
2013-2	School Improvement Grants (CFDA No. 84.377) - Allowable Costs/Cost principles	Improvements were needed regarding time and effort documentation to support personnel charges to the program.	Corrected.	

EXHIBIT A
MANAGEMENT'S RESPONSE

BOARD CHAIR
Maggie B. Lewis-Butler

BOARD VICE CHAIR
DeeDee Rasmussen

LEON COUNTY SCHOOLS

BOARD MEMBERS
Georgia "Joy" Bowen
Dee Crumpler
Alva Swafford Striplin

SUPERINTENDENT
Jackie Pons

March 9, 2015

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

Dear Mr. Martin:

Enclosed is the written response to the findings and recommendations included in the Preliminary and Tentative Financial Audit Report of the Leon County District School Board for the fiscal year ended June 30, 2014.

We would like to thank you for this opportunity to respond to each of the findings listed in the report. We intend to fully implement appropriate corrective actions to address all findings. The District's response details the corrective actions that have been or will be implemented to address each of the findings.

It was a pleasure working with your staff and we appreciate the courtesy and professionalism displayed throughout the audit process. If you have questions or require additional information, please feel free to contact us.

Sincerely,

Jackie Pons

Jackie Pons
Superintendent

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

Building the Future Together

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Leon County District School Board
Financial Audit for FYE 6/30/2014
Audit Responses

Finding No. 1: Financial Reporting

Response:

A checklist spreadsheet for major and non-major fund identification will be used by the Director to ensure the proper percentage has been calculated. This spreadsheet will serve as a guide for the employee checking behind the Director when the Annual Financial Report is completed.

The spreadsheet checklist referenced above will also list all required notes to the financial statements. The Director will use it as a guide for checking to include all required notes. The CFO will use it to verify all notes are included after the Director has completed the Annual Financial Report for review.

ARRA funding has ended. Qualified Zone Academy Bonds (QZAB's) were included in the ARRA funds because the District thought they were part of that type of funding given they were issued at the time ARRA was underway. Henceforth the QZAB bonds will be accounted for in Capital Outlay in a fund other than ARRA. Only the Qualified School Construction Bond (QSCB) will be accounted for in the ARRA fund.

Finding No. 2: Journal Entries

Response:

The Finance Department has consulted with the business software provider (Skyward) and developed an approval hierarchy for journal entries that ensures electronic review and approval by and between directors and Finance staff making such entries.

Finding No. 3: Capital Assets

Response:

The District has purchased BMI Asset Tracking system hardware and software that is currently deployed to accumulate accurate fixed asset inventory balances within the District that uploads to subsidiary records which interface with the business reporting software (Skyward). Skyward balances will be adjusted to these updated subsidiary records accordingly so the subsidiary records will serve as the source for Skyward cumulative reported balances.

EXHIBIT A (CONTINUED)
MANAGEMENT'S RESPONSE

Federal Finding No. 2014-001: Special Education Cluster (CFDA No. 84.027)

Response:

The auditors found the contracts for psychological services specified an hourly rate for services provided and the District paid invoices that did not evidence and verify the actual hours worked. To resolve this, and improve accountability, the provider will be required to maintain a log at each site documenting the student contact hours and the work performed. The site administrator will verify this and they will be submitted monthly. The District will implement these provisions during the 2015-16 fiscal year.

Page 2 of 2