



**AUDITOR GENERAL**  
WILLIAM O. MONROE, CPA



**LEON COUNTY**  
**DISTRICT SCHOOL BOARD**  
Financial and Federal Single Audit

For the Fiscal Year Ended June 30, 2005

Leon County District School Board members and the Superintendent of Schools who served during the 2004-05 fiscal year are shown in the following tabulation:

	<i>District No.</i>
<i>Sheila Costigan, Vice Chair to 11-15-04, Chair from 11-16-04</i>	<i>1</i>
<i>Dee Crumpler</i>	<i>2</i>
<i>Maggie B. Lewis</i>	<i>3</i>
<i>H. Fred Varn, Vice Chair from 11-16-04</i>	<i>4</i>
<i>Georgia M. "Joy" Bowen, Chair to 11-15-04</i>	<i>5</i>
 <i>William J. Montford, III, Superintendent</i>	

## AUDITOR GENERAL

The Auditor General provides independent, unbiased, timely, and relevant information to the Legislature, entity management, and the citizens of the State of Florida which can be used to improve the operations and accountability of public entities.

LEON COUNTY DISTRICT SCHOOL BOARD

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**EXECUTIVE SUMMARY**

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**Summary of Report on Financial Statements**

The Leon County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2005, in accordance with prescribed financial reporting standards.

**Summary of Report on Internal Control and Compliance**

The District has established and implemented procedures that generally provide for internal control of District operations. The District generally complied with significant provisions of laws, administrative rules, regulations, contracts, and grant agreements.

**Summary of Report on Federal Awards**

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Special Education Cluster, Twenty-First Century Community Learning Centers, Education Technology State Grants, and Reading First State Grants programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note compliance and internal control findings that are summarized below.

**Summary of Audit Findings****Federal Awards Finding No. 1: Special Tests and Provisions – On-site Reviews**

Federal regulations require that each school district, prior to February 1, shall perform no less than one on-site review of each school under its jurisdiction. The District was unable to provide documentation to support that the required on-site reviews were conducted for 27 of the District's 43 schools.

**Federal Awards Finding No. 2: Special Tests and Provisions – Competitive Food Sales**

Contrary to Federal regulations and State Board of Education rules, three of five District high schools tested had vending machines that contained items of minimal nutritional value which were available to students during lunch periods. All five of the high schools had vending machines that contained carbonated beverages which were available to students during lunch periods; however, 100 percent fruit juice was not available at these same locations.

**Federal Awards Finding No. 3: Suspension and Debarment**

District records did not evidence compliance with the suspension and debarment requirement for more than \$1,975,000 paid to two subreipients and 11 vendors from three Federal programs.

**Federal Awards Finding No. 4: Equipment and Real Property Management**

We noted that equipment purchased with Title I funds was located at schools not categorized as Title I schools during the 2004-05 fiscal year.

**Federal Awards Finding No. 5: Allowable Costs/Cost Principles - Compensation of Personnel Services**

Improvements were needed in District procedures to provide for required periodic salary certifications to document salary expenditures charged to Federal grants.

**Federal Awards Finding No. 6: Procurement – Contract Administration**

Federal regulations require that contracts involving Federal funds contain certain provisions, including records retention and access. The District paid more than \$1,180,000 to two subreipients and four vendors from two Federal programs without contracts including these two provisions.

**Federal Awards Finding No. 7: Activities Allowed or Unallowed**

For expenditures of Education Technology grant funds in excess of \$450,000, District records did not evidence approval for payment by an employee knowledgeable of grant terms and restrictions.

### Federal Awards Finding No. 8: Procurement

District records did not evidence the basis for the negotiations for information technology purchases totaling approximately \$435,000 made pursuant to direct negotiation rather than pursuant to competitive bid. Also, the direct negotiation purchasing method was not approved by the Board, although required.

### Federal Awards Finding No. 9: Special Tests and Provisions – Private School Participation

District records did not evidence the notification of, or the extent of involvement of, private schools in the planning and implementation phase for the Education Technology State Grant program, contrary to grant requirements.

## 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;
- Complied with the various provisions of law, administrative rules, regulations, and contracts and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Corrected or are in process of correcting all deficiencies disclosed in the prior audit report prepared by other auditors.

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, 2005. We obtained an understanding of internal control and assessed control risk 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, administrative rules, regulations, contracts, and grant agreements.

## 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*.

### Management Response

In accordance with the provisions of Section 11.45(4)(d), Florida Statutes, a list of audit findings and recommendations was submitted to members of the Leon County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations included in this report is shown on pages 67 through 73.

This audit was conducted by Jennifer K. Blanca, CPA, and supervised by Karen L. Revell, CPA. Please address inquiries regarding this report to David W. Martin, CPA, Audit Manager, via e-mail at [davidmartin@aud.state.fl.us](mailto:davidmartin@aud.state.fl.us) or by telephone at (850) 487-9039.

This report, as well as other audit reports prepared by the Auditor General, can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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**FINANCIAL SECTION**

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***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS******MANAGEMENT'S DISCUSSION AND ANALYSIS******BASIC FINANCIAL STATEMENTS***

***EXHIBIT – A***    *Statement of Net Assets.*

***EXHIBIT – B***    *Statement of Activities.*

***EXHIBIT – C***    *Balance Sheet – Governmental Funds.*

***EXHIBIT – D***    *Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.*

***EXHIBIT – E***    *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.*

***EXHIBIT – F***    *Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.*

***EXHIBIT – G***    *Statement of Net Assets – Proprietary Funds.*

***EXHIBIT – H***    *Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.*

***EXHIBIT – I***    *Statement of Cash Flows – Proprietary Funds.*

***EXHIBIT – J***    *Statement of Fiduciary Net Assets – Fiduciary Funds.*

***EXHIBIT – K***    *Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.*

***EXHIBIT – L***    *Notes to Financial Statements.*

***OTHER REQUIRED SUPPLEMENTARY INFORMATION***

***EXHIBIT – M***    *Budgetary Comparison Schedule – General Fund.*



WILLIAM O. MONROE, CPA  
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 ON 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, 2005, which collectively comprise the District's basic financial statements as listed on page 1. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been provided to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based 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. The financial statements of the Leon County Schools' Foundation, Inc., a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our 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 of the Leon County District School Board as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the Leon County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (pages 4 through 12) and the Budgetary Comparison Schedule (shown as exhibit M) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

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's *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



William O. Monroe, CPA

February 13, 2006

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Management of the Leon County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2005. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 13 through 49.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2004-05 fiscal year are as follows:

- During the current year, General Fund expenditures exceed revenues by \$3 million. This may be compared to last year's results where General Fund expenditures exceeded revenues by \$0.1 million.
- General Fund expenditures in the 2004-05 fiscal year and 2003-04 fiscal year are \$208.8 million and \$195.1 million, respectively, reflecting an increase of \$13.7 million.
- The resources available for appropriation through State sources are \$2.7 million less than the amount originally budgeted for the General Fund.
- Expenses for instruction account for 47 percent of all expenses for governmental activities in the statement of activities and 58 percent of all General Fund expenditures in the statement of revenues, expenditures, and changes in fund balances.
- The General Fund undesignated fund balance of \$15.3 million represents the excess of current financial resources over current financial liabilities.
- The unrestricted net assets amount of a negative \$6.1 million on the statement of net assets represents the excess of current and long-term future financial liabilities over current financial resources.
- Total long-term liabilities are \$167.9 million, reflecting a decrease from last year of \$4.1 million.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

- Government-wide financial statements.
- Fund financial statements.
- Notes to financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type activities of the primary government presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year.

An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Business-type activities – The District Permitting Office charges fees to cover the cost of certain services it provides.
- Component units – The District presents three separate legal entities in this report including the Leon County Schools' Foundation, Inc.; The Bethel Empowerment Foundation, Inc., conducting business as the C.K. Steele-LeRoy Collins Community Charter Middle School; and The School of Arts and Sciences Foundation, Inc. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

### **Fund Financial Statements**

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

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the

General Fund, Debt Service – Other Fund, Capital Projects – District Bonds Fund, Capital Projects – Local Capital Improvement 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 Fund 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. Two types of proprietary funds are maintained:

- Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for activities of the District Permitting Office.
- Internal service funds are used to report activities that provide goods and services to support the District's other programs and functions through user charges. The District uses an internal service fund to account for the activities of the North Florida Instructional Television Consortium, for which the District is the fiscal agent. Since this service predominantly benefits governmental rather than business-type functions, the internal service fund has been included within governmental activities in the government-wide financial statements.

**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 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.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **The Statement of Net Assets and the Statement of Activities**

The statement of net assets and the statement of activities report information about the District as a whole and about its activities in a way that should indicate the overall financial strength or weakness of the District. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

**Capital Assets**

The statement of net assets includes investments in long-term assets such as land and buildings. Districts are required to show depreciation on those assets. As of June 30, 2005, the District has \$228.7 million in net value of these capital assets. The acquisition cost of these assets is \$387.4 million. The difference of \$158.7 million reflects accumulated depreciation, which reports the usage received to date from depreciable assets. The following table provides a comparison by category:

**Capital Assets, Net of Depreciation, End of Year**

	Governmental Activities	
	6-30-05	6-30-04
Land	\$ 10,978,447.54	\$ 10,448,542.00
Construction In Progress	11,033,238.17	6,926,910.00
Improvements Other Than Buildings	11,132,560.15	12,279,873.00
Buildings and Fixed Equipment	171,881,739.61	167,800,862.00
Furniture, Fixtures, and Equipment	15,105,510.47	14,714,806.00
Motor Vehicles	6,697,033.88	7,297,662.00
Property Under Capital Lease	985,582.45	985,582.00
Audio Visual Materials	818,993.04	508,447.00
Computer Software	97,686.85	222,690.00
Total	<u>\$ 228,730,792.16</u>	<u>\$ 221,185,374.00</u>

**Non-current Liabilities**

This category includes items such as bonds that are outstanding and unused employee leave (compensated absences). This table illustrates the amount of resources necessary to liquidate these liabilities which are segregated between current and long-term on the statement of net assets:

**Schedule of Non-Current Liabilities**

	Governmental Activities	
	6-30-05	6-30-04
Obligations Under Capital Lease	\$ 241,922.91	\$ 351,914.31
Installment-Purchases Payable		22,790.47
Bonds Payable	98,363,451.87	111,221,668.62
Certificates of Participation Payable	34,016,311.45	29,855,000.00
Estimated Insurance Claims Payable	6,696,488.00	5,404,633.00
Compensated Absences Payable	28,566,362.34	25,136,340.65
Total	<u>\$ 167,884,536.57</u>	<u>\$ 171,992,347.05</u>

**Net Assets**

This section of the statement of net assets is simply the difference between total assets and total liabilities. This amount is then segregated into capital assets, net of related debt, restricted and unrestricted. Capital assets, net of related debt, are the total capital assets less the bonded debt, certificates of participation, and capital lease. This debt is deducted because the funds derived from it were used to acquire these capital assets. Restricted net assets are those that are constrained by debt covenants, enabling legislation, or other legal requirements. Unrestricted

net assets are the portion of net assets that can be used to finance day-to-day operations. The deficit in unrestricted net assets is primarily due to two 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 specified limits.
- The Board has never had the resources currently available needed for budgeting unused employee vacation and sick days.

The intent of this statement is to provide a long-term outlook for the financial position of the District. The unrestricted net assets, negative \$6.1 million, reflects the long-term requirement to pay for obligations that become due in future years. For example, the liability for compensated absences totals \$28.6 million at the end of the 2004-05 fiscal year. An estimated \$2.8 million of this liability will be due and payable in the 2005-06 fiscal year. District resources will be available to meet this current portion of the compensated absences liability. On the other hand, \$25.8 million of the compensated absences liability will be due and payable two or more years from the date of this statement. The Board 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.

	Net Assets, End of Year					
	Governmental Activities		Business-Type Activities		Total	
	6-30-05	6-30-04	6-30-05	6-30-04	6-30-05	6-30-04
Current and Other Assets	\$ 158,449,342.02	\$ 161,114,918.00	\$ 61,505.49	\$ 45,106.00	\$ 158,510,847.51	\$ 161,160,024.00
Capital Assets	228,730,792.16	221,185,374.00			228,730,792.16	221,185,374.00
<b>Total Assets</b>	<b>387,180,134.18</b>	<b>382,300,292.00</b>	<b>61,505.49</b>	<b>45,106.00</b>	<b>387,241,639.67</b>	<b>382,345,398.00</b>
Long-Term Liabilities	167,884,536.57	171,992,347.00			167,884,536.57	171,992,347.00
Other Liabilities	23,446,799.44	21,161,798.00	2,196.00	7,304.00	23,448,995.44	21,169,102.00
<b>Total Liabilities</b>	<b>191,331,336.01</b>	<b>193,154,145.00</b>	<b>2,196.00</b>	<b>7,304.00</b>	<b>191,333,532.01</b>	<b>193,161,449.00</b>
Net Assets:						
Invested in Capital Assets -						
Net of Debt	96,109,105.93	79,734,000.00			96,109,105.93	79,734,000.00
Restricted	105,808,104.28	125,074,207.00	59,309.49	37,802.00	105,867,413.77	125,112,009.00
Unrestricted (Deficit)	(6,068,412.04)	(15,661,060.00)			(6,068,412.04)	(15,661,060.00)
<b>Total Net Assets</b>	<b>\$ 195,848,798.17</b>	<b>\$ 189,147,147.00</b>	<b>\$ 59,309.49</b>	<b>\$ 37,802.00</b>	<b>\$ 195,908,107.66</b>	<b>\$ 189,184,949.00</b>

The statement of activities reports consolidated revenues and expenses for all funds. Expenses are reported by function as they have been in the past; however, since the 2001-02 fiscal year, each function includes its proportionate share of current year expense for insurance claims, as well as estimated employee leave usage. Additionally, depreciation expenses, which are not allocated to functions, are also included. Revenue that can be directly attributed to specific functions has been identified and is deducted from the appropriate functional expense. Examples are fees charged for the school lunch program, categorical grants specific to transportation, fees charged for before and after school child care, and Public Education Capital Outlay (PECO) funds that are

restricted to facilities use. This year's \$6.7 million change in net assets reflects the excess amount of revenues to cover expenses for the year.

	Operating Results for the Year					
	Governmental Activities		Business-Type Activities		Total	
	6-30-05	6-30-04	6-30-05	6-30-04	6-30-05	6-30-04
<b>Program Revenues:</b>						
Charges for Services	\$ 8,222,273.18	\$ 8,228,931.00	\$ 54,204.22	\$ 48,347.00	\$ 8,276,477.40	\$ 8,277,278.00
Operating Grants and Contributions	9,942,926.31	10,987,707.00			9,942,926.31	10,987,707.00
Capital Grants and Contributions	4,860,002.62	7,640,427.00			4,860,002.62	7,640,427.00
<b>General Revenues:</b>						
Property Taxes, Levied for Operational Purposes	67,007,129.05	61,841,258.00			67,007,129.05	61,841,258.00
Property Taxes, Levied for Debt Service	7,651,931.94	7,777,521.00			7,651,931.94	7,777,521.00
Property Taxes, Levied for Capital Projects	21,162,513.21	19,321,536.00			21,162,513.21	19,321,536.00
Local Sales Tax	17,670,000.00	17,696,167.00			17,670,000.00	17,696,167.00
Grants and Contributions Not Restricted to Specific Programs	146,387,017.72	142,242,060.00			146,387,017.72	142,242,060.00
Unrestricted Investment Earnings	3,042,118.51	1,696,470.00	830.70	23.00	3,042,949.21	1,696,493.00
Miscellaneous	5,875,081.27	6,350,664.00			5,875,081.27	6,350,664.00
<b>Total Revenues</b>	<b>291,820,993.81</b>	<b>283,782,741.00</b>	<b>55,034.92</b>	<b>48,370.00</b>	<b>291,876,028.73</b>	<b>283,831,111.00</b>
<b>Functions/Program Expenses:</b>						
Instruction	135,818,743.65	123,801,093.00			135,818,743.65	123,801,093.00
Pupil Personnel Services	12,481,975.41	11,451,667.00			12,481,975.41	11,451,667.00
Instructional Media Services	4,115,283.93	3,749,950.00			4,115,283.93	3,749,950.00
Instruction and Curriculum Development Services	13,913,519.80	15,108,004.00			13,913,519.80	15,108,004.00
Instructional Staff Training	2,666,402.41	2,312,158.00			2,666,402.41	2,312,158.00
Board of Education	1,093,517.56	1,421,455.00			1,093,517.56	1,421,455.00
General Administration	2,430,427.05	2,237,739.00			2,430,427.05	2,237,739.00
School Administration	13,376,149.32	11,820,279.00			13,376,149.32	11,820,279.00
Facilities Acquisition and Construction	23,450,355.59	16,298,982.00	33,527.20	10,568.00	23,483,882.79	16,309,550.00
Fiscal Services	1,720,443.51	1,575,401.00			1,720,443.51	1,575,401.00
Food Services	9,295,757.06	8,452,647.00			9,295,757.06	8,452,647.00
Central Services	8,770,919.57	8,194,209.00			8,770,919.57	8,194,209.00
Pupil Transportation Services	9,230,055.16	10,763,491.00			9,230,055.16	10,763,491.00
Operation of Plant	15,665,329.97	14,833,510.00			15,665,329.97	14,833,510.00
Maintenance of Plant	7,994,625.45	7,455,475.00			7,994,625.45	7,455,475.00
Community Services	3,901,209.46	3,747,784.00			3,901,209.46	3,747,784.00
Interest on Long-Term Debt	5,587,701.70	5,152,026.00			5,587,701.70	5,152,026.00
Loss on Disposal of Capital Assets	229,418.21	247,219.00			229,418.21	247,219.00
Unallocated Depreciation Expenses	13,377,507.97	13,232,126.00			13,377,507.97	13,232,126.00
<b>Total Functions/Program Expenses</b>	<b>285,119,342.78</b>	<b>261,855,215.00</b>	<b>33,527.20</b>	<b>10,568.00</b>	<b>285,152,869.98</b>	<b>261,865,783.00</b>
<b>Increase in Net Assets</b>	<b>\$ 6,701,651.03</b>	<b>\$ 21,927,526.00</b>	<b>\$ 21,507.72</b>	<b>\$ 37,802.00</b>	<b>\$ 6,723,158.75</b>	<b>\$ 21,965,328.00</b>

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The District's governmental funds report a combined fund balance of \$133.2 million, which is down from the 2003-04 fiscal year by \$6.4 million.

The General Fund shows an increase in fund balance as of June 30, 2005, of approximately \$0.7 million, as a result of fiscally conservative practices, such as closely monitoring the staffing plan.

The Debt Service – Other Fund includes activity for Certificates of Participation. This fund is being reported separately as a major fund due to the issuance of Certificates of Participation, Series 2005, to refund \$25.6 million of the outstanding Certificates of Participation, Series 1997.

The Capital Projects – District Bonds Fund contains capital outlay activity financed by the sales tax bonds. The decrease in fund balance of \$13.1 million is a result of the implementation of the construction plan associated with those bonds.

The Capital Projects – Local Capital Improvement Fund ended the year with an increase of \$7.5 million in fund balance.

The Capital Projects – Other Fund accounts for the District sales tax revenue and funds received from Certificates of Participation, among other intermittently-funded programs such as Classrooms First, Effort Index, and Classrooms for Kids.

The Other Governmental Funds column consists of all funds that have been determined to be nonmajor funds according to Governmental Accounting Standards Board Statement No. 34. These funds may move in and out of this nonmajor status depending on the dollar value of the activities in any one year. Examples of funds contained in this group are the Special Revenue – Food Service Fund, Special Revenue – Other Fund, and Capital Projects – Public Education Capital Outlay Fund.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Many changes are made to the budget over the course of the year. Each change is approved by the Board and the purpose explained at the time of approval. A recap of the significant changes as of June 30, 2005, is listed below.

- The original budget for State sources of revenues in the General Fund totals \$130.4 million, but the final budget is less than that by \$1 million.
- The staffing plan is allocated as closely as possible to the proper function at the beginning of the year; however, as positions are established, budget amendments are frequently made among the instruction and instructional services functions. Pupil personnel services, instructional media services, and instruction and curriculum development services each reflect increased budgets of \$4 million, \$0.5 million, and \$3.9 million, respectively, as a result of this process.
- The overall budget for revenues in the General Fund increased by \$4.8 million from the original to the final budget, and total expenditure appropriations in the General Fund increased \$8.7 million, or 3.8 percent, over the course of the year. This is typical due to grants and funding sources received after the budget is adopted.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

#### **Capital Assets**

The District has \$387.4 million invested in capital assets, before depreciation, as of June 30, 2005. These assets include items such as land, buildings, vehicles, and equipment. The value of the capital assets that are not depreciable, which include land (\$11 million) and construction in progress (\$11 million), totals \$22 million. The value of the depreciable assets, such as buildings and fixed equipment, totals \$365.4 million. Accumulated depreciation totals \$158.7 million as of fiscal year-end, meaning those assets have a net value of \$206.7 million. Since the historical cost of depreciable assets is \$365.4 million, and the accumulated depreciation equals \$158.7 million, the conclusion that must be inferred is that 43 percent of the depreciable assets' useful lives have been used, with 57 percent of the useful lives still remaining. Additional information on the District's capital assets can be found in Note 4 to the financial statements.



**Long-Term Debt**

The total long-term debt equals \$132.6 as of the end of the 2004-05 fiscal year. The amount of principal due in the 2005-06 fiscal year is \$13.9 million, leaving \$118.7 million to be paid in subsequent years. The greatest portion of the long-term debt includes \$98.4 million in bonds payable and \$34 million in certificates of participation payable.

The total debt service payments for the general obligation bond issues this year total approximately \$7.5 million. This equals approximately 4 percent of General Fund expenditures, which is an indication of low debt service payments. State Board of Education Rule 6A-1.037, Florida Administrative Code, prohibits school districts from issuing school bonds in excess of 10 percent of the nonexempt assessed valuation of the District without specific State Board approval. The estimated millage levy required for servicing bonded debt cannot exceed six (6) mills. The District's legal debt margin is approximately \$1.086 billion and the net bonded debt applicable to that limit is \$22.7 million, leaving an available balance of \$1.063 billion. This means 98 percent of the bonded debt capacity is available to be bonded, if needed. The levy for the current year to provide debt service for these bonds is 0.726 mills. An amount in excess of 5 mills is available that could be used to pay for debt service on bonds, subject to approval by the voters.

Additional information on the District's long-term debt can be found in Notes 5 through 9 to the financial statements.

**OTHER MATTERS OF SIGNIFICANCE**

In the 2001-02 fiscal year, the Greater Tallahassee Chamber of Commerce created a 72-member panel, known as the Capital Improvements Review Team (CIRT), composed of an independent panel of business and community leaders, parents, and Chamber of Commerce members, who reviewed and validated the District's capital outlay needs. The CIRT recommended the School Board present a 1/2-cent sales tax referendum to the voters to be enacted for a 10-year period. The sales tax would raise \$88.5 million over 5 years and \$196.8 million over 10 years; cost each resident \$47.70; cost each household \$118.33; and provide resources for 15 years of needs. Leon County non-residents would pay 30 cents of every dollar generated by the 1/2-cent sales tax, leaving 70 cents generated by Leon County residents. Therefore, non-residents would pay \$26.55 million over 5 years and \$59.04 million over 10 years.

The sales tax referendum passed and collections of the revenue began on January 1, 2003. The District bonded \$57.9 million, the proceeds of which cover about half of the \$123.7 million of new construction, remodeling, and renovation needs. During the 2003-04 and 2004-05 fiscal years, the District reported more than \$35 million in revenue as a result of the 1/2-cent sales tax referendum.

The property tax base was \$10 billion in the 2003-04 fiscal year and \$10.86 billion in the 2004-05 fiscal year, a 9 percent increase equal to \$860 million. The base for fiscal year 2005-06 is \$12.36 billion, a 14 percent increase equal to approximately \$1.5 billion.

The Food Service Fund expenditures exceed revenues in the 2004-05 fiscal year by more than \$237 thousand, due primarily to the purchase by the District of more expensive food items in response to local and national concerns regarding obesity in children. The 2005-06 fiscal year budget for the Food Service Fund includes no indirect cost payment to the General Fund, and projects revenues exceeding expenditures by \$18 thousand.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Leon County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Leon County District School Board, 2757 West Pensacola Street, Tallahassee, Florida 32304-2998.

**EXHIBIT - A**  
**LEON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF NET ASSETS**  
**June 30, 2005**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash	\$ 2,085,518.57	\$ 5.56	\$ 2,085,524.13	\$ 388,655.00
Investments	122,215,304.38	53,978.17	122,269,282.55	
Accounts Receivable	446,369.82		446,369.82	
Due from Other Agencies	15,756,956.62		15,756,956.62	27,741.00
Deferred Charges	1,720,071.87		1,720,071.87	3,381.00
Internal Balances	(7,521.76)	7,521.76		
Inventories	1,020,871.96		1,020,871.96	
Restricted Assets:				
Cash with Fiscal Agent	15,211,770.56		15,211,770.56	
Capital Assets:				
Land	10,978,447.54		10,978,447.54	200,000.00
Construction in Progress	11,033,238.17		11,033,238.17	
Improvements Other Than Buildings, Net	11,132,560.15		11,132,560.15	81,969.00
Buildings and Fixed Equipment, Net	171,881,739.61		171,881,739.61	916,607.00
Furniture, Fixtures, and Equipment, Net	15,105,510.47		15,105,510.47	151,925.00
Motor Vehicles, Net	6,697,033.88		6,697,033.88	
Property Under Capital Lease, Net	985,582.45		985,582.45	
Audio Visual Materials, Net	818,993.04		818,993.04	19,450.00
Computer Software, Net	97,686.85		97,686.85	15,425.00
<b>TOTAL ASSETS</b>	<b>\$ 387,180,134.18</b>	<b>\$ 61,505.49</b>	<b>\$ 387,241,639.67</b>	<b>\$ 1,805,153.00</b>
<b>LIABILITIES</b>				
Salaries and Benefits Payable	\$ 5,988,616.34	\$	\$ 5,988,616.34	\$ 21,497.00
Payroll Deductions and Withholdings	3,068,677.39		3,068,677.39	
Accounts Payable	3,011,813.42	2,196.00	3,014,009.42	31,453.00
Construction Contracts Payable	3,209,017.48		3,209,017.48	
Construction Contracts Payable - Retainage	1,303,437.63		1,303,437.63	
Due to Other Agencies	6,097,007.85		6,097,007.85	30,138.00
Deposits Payable	53,684.33		53,684.33	
Deferred Revenue	714,545.00		714,545.00	
Long-Term Liabilities:				
Portion Due Within One Year:				
Notes Payable				13,510.00
Obligations Under Capital Lease	117,149.49		117,149.49	
Bonds Payable	12,750,000.00		12,750,000.00	
Certificates of Participation Payable	1,040,000.00		1,040,000.00	
Estimated Insurance Claims Payable	1,260,531.00		1,260,531.00	
Compensated Absences Payable	2,750,000.00		2,750,000.00	
Portion Due After One Year:				
Notes Payable				476,348.00
Obligations Under Capital Lease	124,773.42		124,773.42	
Bonds Payable	85,613,451.87		85,613,451.87	
Certificates of Participation Payable	32,976,311.45		32,976,311.45	
Estimated Insurance Claims Payable	5,435,957.00		5,435,957.00	
Compensated Absences Payable	25,816,362.34		25,816,362.34	
<b>Total Liabilities</b>	<b>191,331,336.01</b>	<b>2,196.00</b>	<b>191,333,532.01</b>	<b>572,946.00</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	96,109,105.93		96,109,105.93	921,396.00
Restricted for:				
State Categorical Programs	2,323,665.50		2,323,665.50	
Debt Service	16,576,731.32		16,576,731.32	
Capital Projects	84,250,361.19		84,250,361.19	71,452.00
Other Purposes	2,657,346.27	59,309.49	2,716,655.76	20,134.00
Unrestricted	(6,068,412.04)		(6,068,412.04)	219,225.00
<b>Total Net Assets</b>	<b>195,848,798.17</b>	<b>59,309.49</b>	<b>195,908,107.66</b>	<b>1,232,207.00</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 387,180,134.18</b>	<b>\$ 61,505.49</b>	<b>\$ 387,241,639.67</b>	<b>\$ 1,805,153.00</b>

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

**EXHIBIT - B  
LEON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 135,818,743.65	\$ 4,952,630.11	\$	\$
Pupil Personnel Services	12,481,975.41			
Instructional Media Services	4,115,283.93			
Instruction and Curriculum Development Services	13,913,519.80			
Instructional Staff Training	2,666,402.41			
Board of Education	1,093,517.56			
General Administration	2,430,427.05			
School Administration	13,376,149.32			
Facilities Acquisition and Construction	23,450,355.59			3,668,137.28
Fiscal Services	1,720,443.51			
Food Services	9,295,757.06	3,269,643.07	5,701,509.31	
Central Services	8,770,919.57			
Pupil Transportation Services	9,230,055.16		4,241,417.00	
Operation of Plant	15,665,329.97			
Maintenance of Plant	7,994,625.45			
Community Services	3,901,209.46			
Interest on Long-Term Debt	5,587,701.70			1,191,865.34
Loss on Disposal of Capital Assets	229,418.21			
Unallocated Depreciation Expense	13,377,507.97			
<b>Total Governmental Activities</b>	<b>285,119,342.78</b>	<b>8,222,273.18</b>	<b>9,942,926.31</b>	<b>4,860,002.62</b>
<b>Business-Type Activities:</b>				
District Permitting Office	33,527.20	54,204.22		
<b>Total Primary Government</b>	<b>\$ 285,152,869.98</b>	<b>\$ 8,276,477.40</b>	<b>\$ 9,942,926.31</b>	<b>\$ 4,860,002.62</b>
<b>Component Units</b>				
Charter Schools	\$ 1,905,621.00	\$ 85,909.00	\$ 330,063.00	\$ 118,668.00
Leon County Schools' Foundation, Inc.	226,390.00			
<b>Total Component Units</b>	<b>\$ 2,132,011.00</b>	<b>\$ 85,909.00</b>	<b>\$ 330,063.00</b>	<b>\$ 118,668.00</b>
<b>General Revenues:</b>				
Taxes:				
Property Taxes, Levied for Operational Purposes				
Property Taxes, Levied for Debt Service				
Property Taxes, Levied for Capital Projects				
Local Sales Taxes				
Grants and Contributions Not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Miscellaneous				
Special Item - Loss on Disposal of Equipment				
<b>Total General Revenues and Special Item</b>				
<b>Change in Net Assets</b>				
Net Assets - July 1, 2004				
<b>Net Assets - June 30, 2005</b>				

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

**EXHIBIT - B**

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Primary Government Business-Type Activities	Total	Component Units
\$ (130,866,113.54)	\$	\$ (130,866,113.54)	\$
(12,481,975.41)		(12,481,975.41)	
(4,115,283.93)		(4,115,283.93)	
(13,913,519.80)		(13,913,519.80)	
(2,666,402.41)		(2,666,402.41)	
(1,093,517.56)		(1,093,517.56)	
(2,430,427.05)		(2,430,427.05)	
(13,376,149.32)		(13,376,149.32)	
(19,782,218.31)		(19,782,218.31)	
(1,720,443.51)		(1,720,443.51)	
(324,604.68)		(324,604.68)	
(8,770,919.57)		(8,770,919.57)	
(4,988,638.16)		(4,988,638.16)	
(15,665,329.97)		(15,665,329.97)	
(7,994,625.45)		(7,994,625.45)	
(3,901,209.46)		(3,901,209.46)	
(4,395,836.36)		(4,395,836.36)	
(229,418.21)		(229,418.21)	
<u>(13,377,507.97)</u>		<u>(13,377,507.97)</u>	
<u>(262,094,140.67)</u>		<u>(262,094,140.67)</u>	
	<u>20,677.02</u>	<u>20,677.02</u>	
<u>(262,094,140.67)</u>	<u>20,677.02</u>	<u>(262,073,463.65)</u>	
			(1,370,981.00)
			(226,390.00)
			(1,597,371.00)
67,007,129.05		67,007,129.05	
7,651,931.94		7,651,931.94	
21,162,513.21		21,162,513.21	
17,670,000.00		17,670,000.00	
146,387,017.72		146,387,017.72	1,494,212.00
3,042,118.51	830.70	3,042,949.21	4,418.00
5,875,081.27		5,875,081.27	228,400.00
			(1,169.00)
<u>268,795,791.70</u>	<u>830.70</u>	<u>268,796,622.40</u>	<u>1,725,861.00</u>
6,701,651.03	21,507.72	6,723,158.75	128,490.00
189,147,147.14	37,801.77	189,184,948.91	1,103,717.00
<u>\$ 195,848,798.17</u>	<u>\$ 59,309.49</u>	<u>\$ 195,908,107.66</u>	<u>\$ 1,232,207.00</u>

**EXHIBIT - C  
LEON COUNTY  
DISTRICT SCHOOL BOARD  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2005**

	General Fund	Debt Service - Other Fund	Capital Projects - District Bonds Fund
<b>ASSETS</b>			
Cash	\$ 1,433,452.35	\$ 78,123.33	\$ 1,552.79
Cash with Fiscal Agent	100,000.00	8,236,458.06	
Investments	39,847,653.58	333,019.54	42,937,928.16
Accounts Receivable	364,544.99		
Due from Other Funds	1,666,089.10		
Due from Other Agencies	3,568,467.59		
Inventories	675,487.85		
	<u>\$ 47,655,695.46</u>	<u>\$ 8,647,600.93</u>	<u>\$ 42,939,480.95</u>
<b>TOTAL ASSETS</b>			
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Salaries and Benefits Payable	\$ 5,360,226.41	\$	\$
Payroll Deductions and Withholdings Payable	2,714,263.52		
Accounts Payable	1,863,401.53		13,595.27
Construction Contracts Payable			1,933,316.48
Construction Contracts Payable - Retainage	40,483.41		275,476.01
Due to Other Funds	2,002,619.68		96,306.03
Due to Other Agencies	3,463,054.62		
Deposits Payable			
Deferred Revenue			
	<u>15,444,049.17</u>	<u></u>	<u>2,318,693.79</u>
<b>Total Liabilities</b>			
Fund Balances:			
Reserved for State Categorical Programs	2,323,665.50		
Reserved for Encumbrances	1,244,140.64		24,464,366.20
Reserved for Debt Service		8,647,600.93	
Reserved for Other Purposes	2,657,346.27		
Unreserved:			
Designated, reported in General Fund:			
Designated for Inventories	675,487.85		
Designated for Local Carryover Projects	9,966,440.44		
Undesignated, reported in:			
General Fund	15,344,565.59		
Special Revenue Funds			
Capital Projects Funds			16,156,420.96
	<u>32,211,646.29</u>	<u>8,647,600.93</u>	<u>40,620,787.16</u>
<b>Total Fund Balances</b>			
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 47,655,695.46</u>	<u>\$ 8,647,600.93</u>	<u>\$ 42,939,480.95</u>

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

**EXHIBIT - C**

<u>Capital Projects - Local Capital Improvement Fund</u>	<u>Capital Projects - Other Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,847.01	\$ 1,434.97	\$ 565,054.01	\$ 2,081,464.46
24,603,247.50	10,928,860.53	6,875,312.50	15,211,770.56
202,743.15	6,640.00	3,500,081.09	122,150,790.40
766,949.18	615,268.24	59,299.30	430,484.29
	6,448,585.27	121,093.60	2,605,194.09
		4,823,352.56	15,607,354.60
		345,384.11	1,020,871.96
<u>\$ 25,574,786.84</u>	<u>\$ 18,000,789.01</u>	<u>\$ 16,289,577.17</u>	<u>\$ 159,107,930.36</u>
\$	\$	\$ 628,389.93	\$ 5,988,616.34
125,716.62	145,431.99	354,413.87	3,068,677.39
731,303.97	401,432.88	863,668.01	3,011,813.42
589,532.59	397,945.62	142,964.15	3,209,017.48
396,127.07	840,609.80	1,035,704.97	1,303,437.63
		725,699.51	4,371,367.55
		53,684.33	4,188,754.13
	714,545.00		53,684.33
			714,545.00
<u>1,842,680.25</u>	<u>2,499,965.29</u>	<u>3,804,524.77</u>	<u>25,909,913.27</u>
6,433,853.94	3,569,090.67	1,352,388.89	2,323,665.50
		7,929,130.39	37,063,840.34
			16,576,731.32
			2,657,346.27
			675,487.85
			9,966,440.44
			15,344,565.59
			159,278.29
<u>17,298,252.65</u>	<u>11,931,733.05</u>	<u>3,044,254.83</u>	<u>48,430,661.49</u>
<u>23,732,106.59</u>	<u>15,500,823.72</u>	<u>12,485,052.40</u>	<u>133,198,017.09</u>
<u>\$ 25,574,786.84</u>	<u>\$ 18,000,789.01</u>	<u>\$ 16,289,577.17</u>	<u>\$ 159,107,930.36</u>

**EXHIBIT - D  
LEON COUNTY  
DISTRICT SCHOOL BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2005**

**Total Fund Balances - Governmental Funds** \$ 133,198,017.09

Amounts reported for governmental activities in the statement of net assets 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. 228,730,792.16

Debt issuance costs are treated as expenditures in the fund statements, but are reported as deferred charges and amortized over the life of the debt on the government-wide statements. 1,720,071.87

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 84,453.62

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

Obligations Under Capital Lease	\$ 241,922.91	
Bonds Payable	98,363,451.87	
Certificates of Participation Payable	34,016,311.45	
Estimated Insurance Claims Payable	6,696,488.00	
Compensated Absences Payable	28,566,362.34	
	(167,884,536.57)	

**Total Net Assets - Governmental Activities** \$ 195,848,798.17

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



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**EXHIBIT - E  
LEON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2005**

	General Fund	Debt Service - Other Fund	Capital Projects - District Bonds Fund
<b>Revenues</b>			
Intergovernmental:			
Federal Direct	\$ 182,359.77	\$	\$
Federal Through State	863,082.63		
Federal Through Local	1,238,450.00		
State	127,635,658.86		
Local	75,903,208.27		1,074,593.86
<b>Total Revenues</b>	<b>205,822,759.53</b>		<b>1,074,593.86</b>
<b>Expenditures</b>			
Current - Education:			
Instruction	122,137,460.10		
Pupil Personnel Services	10,820,562.41		
Instructional Media Services	4,018,927.74		
Instruction and Curriculum Development Services	8,641,987.30		
Instructional Staff Training	971,975.31		
Board of Education	1,083,459.02		
General Administration	1,135,520.34		
School Administration	13,005,865.71		
Facilities Acquisition and Construction	919,997.86		7,674,761.60
Fiscal Services	1,680,889.93		
Food Services			
Central Services	8,410,230.85		
Pupil Transportation Services	8,035,226.78		
Operation of Plant	15,492,211.10		
Maintenance of Plant	7,838,143.04		
Community Services	3,373,219.52		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	15,530.70		6,544,894.02
Other Capital Outlay	1,086,730.83		
Debt Service:			
Principal	109,991.40	6,590,000.00	
Interest and Fiscal Charges	20,807.60	3,927,769.61	
<b>Total Expenditures</b>	<b>208,798,737.54</b>	<b>10,517,769.61</b>	<b>14,219,655.62</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(2,975,978.01)</b>	<b>(10,517,769.61)</b>	<b>(13,145,061.76)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers In	2,979,851.77	10,272,592.92	
Proceeds from Certificates of Participation Issued		50,750.00	
Proceeds from Refunding Certificates of Participation Issued		27,285,000.00	
Premium on Refunding Certificates of Participation Issued		158,570.55	
Proceeds from Sale of Capital Assets	131,900.00		
Insurance Loss Recoveries	577,935.57		
Payment to Refunding Certificates of Participation Escrow Agent		(26,971,797.80)	
Transfers Out	(43,205.64)		
<b>Total Other Financing Sources (Uses)</b>	<b>3,646,481.70</b>	<b>10,795,115.67</b>	
<b>Net Change in Fund Balances</b>	<b>670,503.69</b>	<b>277,346.06</b>	<b>(13,145,061.76)</b>
Fund Balances, July 1, 2004	31,541,142.60	8,370,254.87	53,765,848.92
<b>Fund Balances, June 30, 2005</b>	<b>\$ 32,211,646.29</b>	<b>\$ 8,647,600.93</b>	<b>\$ 40,620,787.16</b>

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

**EXHIBIT - E**

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$	\$ 490,299.06	\$ 672,658.83
		27,714,074.88	28,577,157.51
			1,238,450.00
		5,232,038.65	132,867,697.51
<u>21,705,520.39</u>	<u>17,964,527.04</u>	<u>11,105,842.11</u>	<u>127,753,691.67</u>
<u>21,705,520.39</u>	<u>17,964,527.04</u>	<u>44,542,254.70</u>	<u>291,109,655.52</u>
		10,770,184.90	132,907,645.00
		1,398,439.67	12,219,002.08
		10,426.09	4,029,353.83
		4,973,866.00	13,615,853.30
		1,664,122.59	2,636,097.90
			1,083,459.02
		1,273,712.94	2,409,233.28
		78,129.58	13,083,995.29
6,212,193.05	3,645,212.83	2,855,898.74	21,308,064.08
			1,680,889.93
		9,205,943.99	9,205,943.99
		189,713.74	8,599,944.59
742,023.31		295,376.80	9,072,626.89
		13,978.56	15,506,189.66
		31,661.31	7,869,804.35
		490,511.29	3,863,730.81
1,871,122.55	12,043,946.76	272,737.67	20,748,231.70
		1,456,548.78	2,543,279.61
		6,645,000.00	13,344,991.40
		2,328,140.62	6,276,717.83
<u>8,825,338.91</u>	<u>15,689,159.59</u>	<u>43,954,393.27</u>	<u>302,005,054.54</u>
<u>12,880,181.48</u>	<u>2,275,367.45</u>	<u>587,861.43</u>	<u>(10,895,399.02)</u>
		43,205.64	13,295,650.33
	3,262,250.00		3,313,000.00
			27,285,000.00
			158,570.55
			131,900.00
			577,935.57
			(26,971,797.80)
<u>(5,350,000.00)</u>	<u>(7,772,592.92)</u>	<u>(129,851.77)</u>	<u>(13,295,650.33)</u>
<u>(5,350,000.00)</u>	<u>(4,510,342.92)</u>	<u>(86,646.13)</u>	<u>4,494,608.32</u>
7,530,181.48	(2,234,975.47)	501,215.30	(6,400,790.70)
16,201,925.11	17,735,799.19	11,983,837.10	139,598,807.79
<u>\$ 23,732,106.59</u>	<u>\$ 15,500,823.72</u>	<u>\$ 12,485,052.40</u>	<u>\$ 133,198,017.09</u>

**EXHIBIT - F  
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, 2005**

**Net Change in Fund Balances - Governmental Funds** \$ (6,400,790.70)

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 expenses in the current period.	7,774,836.96
The undepreciated cost of capital assets which are disposed of is expensed in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the year purchased. Thus, the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.	(229,418.21)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(30,598,000.00)
The payment to the escrow agent for refunded long-term debt is reported as other financing uses in governmental funds, but decreases long-term liabilities in the statement of net assets.	26,971,797.80
Issuance costs for debt issues are reported as expenditures in governmental funds, but are deferred and amortized over the life of the debt in the statement of activities.	65,540.28
Premiums for debt issues are reported as other financing sources in governmental funds, but are deferred and amortized over the life of the debt in the statement of activities.	464,905.30
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	13,367,781.87
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of internal service funds is reported with governmental activities.	6,874.42
The net change in the liability for estimated insurance claims is reported in the statement of activities, but not in the governmental funds statements.	(1,291,855.00)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period.	<u>(3,430,021.69)</u>

**Change in Net Assets - Governmental Activities** \$ 6,701,651.03

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

**EXHIBIT - G**  
**LEON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF NET ASSETS -**  
**PROPRIETARY FUNDS**  
*June 30, 2005*

	<u>Business-Type Activities - Enterprise Fund District Permitting Office</u>	<u>Governmental Activities - Internal Service Fund</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 5.56	\$ 4,054.11
Investments	53,978.17	64,513.98
Accounts Receivable		15,885.53
Due From Other Funds	<u>7,860.00</u>	
<b>TOTAL ASSETS</b>	<u>\$ 61,843.73</u>	<u>\$ 84,453.62</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 2,196.00	\$
Due to Other Funds	<u>338.24</u>	
<b>Total Liabilities</b>	<u>2,534.24</u>	
<b>NET ASSETS</b>		
Unrestricted	<u>59,309.49</u>	<u>84,453.62</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 61,843.73</u>	<u>\$ 84,453.62</u>

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

**EXHIBIT - H  
LEON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Business-Type Activities - Enterprise Fund District Permitting Office	Governmental Activities - Internal Service Fund
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 54,204.22	\$
Other Operating Revenues		20,157.23
<b>Total Operating Revenues</b>	<u>54,204.22</u>	<u>20,157.23</u>
<b>OPERATING EXPENSES</b>		
Purchased Services	14,904.33	14,535.53
Materials and Supplies	7,966.90	
Capital Outlay	8,855.47	
Other Expenses	1,800.50	250.00
<b>Total Operating Expenses</b>	<u>33,527.20</u>	<u>14,785.53</u>
<b>Operating Income</b>	<u>20,677.02</u>	<u>5,371.70</u>
<b>NONOPERATING REVENUES</b>		
Interest	830.70	1,502.72
<b>Change in Net Assets</b>	21,507.72	6,874.42
Total Net Assets, July 1, 2004	<u>37,801.77</u>	<u>77,579.20</u>
<b>Total Net Assets, June 30, 2005</b>	<u>\$ 59,309.49</u>	<u>\$ 84,453.62</u>

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

**EXHIBIT - I  
LEON COUNTY  
DISTRICT SCHOOL BOARD  
STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Business-Type Activities - Enterprise Fund <u>District Permitting Office</u>	Governmental Activities - Internal Service Fund <u>Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Charges for Services	\$ 51,694.22	\$ 15,750.00
Cash Payments to Suppliers for Goods and Services	(37,842.83)	(14,785.53)
Cash Payments for Interfund Services Used	(454.77)	
	<u>13,396.62</u>	<u>964.47</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale (Purchase) of Investments	(24,221.93)	1,586.80
Interest Income	830.70	1,502.72
	<u>(23,391.23)</u>	<u>3,089.52</u>
<b>Net Cash Provided (Used) by Investing Activities</b>		
<b>Net Increase (Decrease) in Cash</b>	(9,994.61)	4,053.99
Beginning Cash	<u>10,000.17</u>	<u>0.12</u>
<b>Ending Cash</b>	<u>\$ 5.56</u>	<u>\$ 4,054.11</u>

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

Operating Income	\$ 20,677.02	\$ 5,371.70
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Changes in Assets and Liabilities:		
Increase in Accounts Receivable		(4,407.23)
Increase in Due from Other Funds	(2,510.00)	
Decrease in Accounts Payable	(4,315.63)	
Decrease in Due to Other Funds	(454.77)	
	<u>(7,280.40)</u>	<u>(4,407.23)</u>
<b>Total Adjustments</b>		
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 13,396.62</u>	<u>\$ 964.47</u>

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

**EXHIBIT - J**  
**LEON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF FIDUCIARY NET ASSETS -**  
**FIDUCIARY FUNDS**  
**June 30, 2005**

	Other Employee Benefit Trust Fund	Private-Purpose Trust Fund	Agency Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 231,572.82	\$	\$ 3,134,749.96
Investments	4,572,262.59	49,721.14	
Accounts Receivable, Net	15,055.25		
Due from Other Funds	<u>1,908,253.72</u>		
<b>TOTAL ASSETS</b>	<u>\$ 6,727,144.38</u>	<u>\$ 49,721.14</u>	<u>\$ 3,134,749.96</u>
<b>LIABILITIES</b>			
Salaries and Benefits Payable	\$	\$	\$
Payroll Deductions and Withholdings	3,928,133.93		
Deferred Revenue	205,321.95		
Due to Other Funds			149,602.02
Internal Accounts Payable			<u>2,985,147.94</u>
<b>Total Liabilities</b>	<u>4,133,455.88</u>		<u>\$ 3,134,749.96</u>
<b>NET ASSETS</b>			
Assets Held in Trust for Employee Benefits	2,593,688.50		
Assets Held in Trust for Scholarships		<u>49,721.14</u>	
<b>Total Net Assets</b>	<u>2,593,688.50</u>	<u>49,721.14</u>	
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 6,727,144.38</u>	<u>\$ 49,721.14</u>	

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



**EXHIBIT - K**  
**LEON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -**  
**FIDUCIARY FUNDS**  
**For the Fiscal Year Ended June 30, 2005**

	Other Employee Benefit Trust Fund	Private-Purpose Trust Funds
	<u>                    </u>	<u>                    </u>
<b>ADDITIONS</b>		
<b>Contributions:</b>		
Insurance Premiums	\$ 19,657,937.26	\$
Reimbursement Accounts	<u>1,465,166.97</u>	<u>                    </u>
<b>Total Contributions</b>	21,123,104.23	
<b>Investment Earnings:</b>		
Interest	<u>60,544.65</u>	<u>1,103.31</u>
<b>Total Additions</b>	<u>21,183,648.88</u>	<u>1,103.31</u>
<b>DEDUCTIONS</b>		
Payments to Providers	19,665,912.66	
Reimbursement Account Claims	1,435,126.87	
Other Expenses	<u>18,001.89</u>	<u>                    </u>
<b>Total Deductions</b>	<u>21,119,041.42</u>	<u>                    </u>
<b>Change in Net Assets</b>	64,607.46	1,103.31
Net Assets, July 1, 2004	<u>2,529,081.04</u>	<u>48,617.83</u>
<b>Net Assets, June 30, 2005</b>	<u>\$ 2,593,688.50</u>	<u>\$ 49,721.14</u>

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

**EXHIBIT – L**  
**LEON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The Leon County School District is considered part of the Florida system of public education. The governing body of the school district is the Leon County District School Board which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Leon County.

Criteria for determining if other entities are potential component units which 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 entities for which the District School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

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

- **Blended Component Units.** The District's employee group health, life, vision, 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 Leon County District School Board and VEBT, the financial activities of VEBT are reported in the accompanying basic financial statements. Separate financial statements for VEBT are not published.

The Leon County School Board Leasing Corporation, Inc. (Corporation), was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 6. Due to the substantive economic relationship between the Leon County District School Board and the Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the Corporation are not published.

- **Discretely Presented Component Units.** The component units columns in the basic financial statements, Exhibits A and B, include the financial data of the District's other component units, which include the Leon County Schools' Foundation, Inc.; The Bethel Empowerment Foundation, Inc.; and The School of Arts and Sciences Foundation, Inc.

The Leon County Schools' Foundation, Inc. (Foundation), is a separate, not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to provide charitable and educational aid to the School Board; to promote education; and to encourage research, learning, and dissemination of information. An audit of the Foundation for the fiscal year ended June 30, 2005, was conducted by an independent certified public accounting firm and the audit report is on file at the District office.

The Bethel Empowerment Foundation, Inc., conducting business as the C.K. Steele-LeRoy Collins Community Charter Middle School, and The School of Arts and Sciences Foundation, Inc. (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

**EXHIBIT - L (Continued)**  
**LEON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

Statutes. Each Charter School operates under a charter approved by its sponsor, the Leon County District School Board. A portion of these Charter Schools' funding comes from the Leon County District School Board based on their weighted full-time equivalent student membership and the legislatively approved funding for the Leon County District School Board. Audits of the Charter Schools for the fiscal year ended June 30, 2005, were conducted by independent certified public accounting firms and the audit reports are on file at the District office.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units. The statements distinguish between governmental activities of the District and those that are considered business-type activities.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's 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.

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. 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.

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.

Fund Financial Statements - Fund financial statements report detailed information about the District in the governmental, proprietary, and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Debt Service – Other Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs.
- Capital Projects – District Bonds Fund – to account for the financial resources generated by District bonds to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

**EXHIBIT - L (Continued)**  
**LEON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.
- Capital Projects – Other Fund – To account for financial resources generated by various sources such as Certificates of Participation, local sales tax, and Classrooms for Kids, 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.
- Internal Service Fund – to account for the activities of the North Florida Instructional Television Consortium (NFITC), for which the District is the fiscal agent. The NFITC provides educational cable programming for participating school boards on a fee-for-service basis.
- Other Employee Benefit Trust Fund – to account for the financial resources of the Voluntary Employee Benefits Trust (VEBT) that administers the District’s employee group health, life, vision, and dental insurance program, as well as the dependent care and medical expense reimbursement program.
- Private-Purpose Trust Fund – to account for resources of the Frank Stoutamire Scholarship Trust Fund, the 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 the several schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. 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.

Governmental fund financial statements are prepared using 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. Under the modified accrual basis of accounting, expenditures are generally recognized when the

**EXHIBIT - L (Continued)**  
**LEON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The Proprietary Funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. 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 funds relate to the services provided by the District Permitting Office and the North Florida Instructional Television Consortium. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The Charter Schools, shown as discretely presented component units, are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

The Leon County Schools' Foundation, Inc., shown as a discretely presented component unit, is accounted for using the modified cash basis of accounting whereby revenues are recognized when received rather than when earned and expenses are recognized when paid rather than when the obligation is incurred. Modifications to the cash basis of accounting included recording depreciation on property and equipment and accruing payroll taxes.

➤ **Deposits and Investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows considers cash as those accounts used as demand deposit accounts

Investments consist of amounts placed in the State Board of Administration Debt Service accounts for investment of debt service moneys and amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value which is amortized cost.

➤ **Inventories**

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

**EXHIBIT - L (Continued)**  
**LEON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

➤ **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 assets 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 the construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

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

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

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

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets. Bond and certificates of participation premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt. Bonds and certificates of participation payable are reported net of the applicable premiums or discounts. Issuance costs are reported as deferred charges and amortized over the term of the related 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 and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

**EXHIBIT - L (Continued)**  
**LEON COUNTY**  
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Changes in long-term liabilities for the current year are reported in a subsequent note.

➤ **State Revenue Sources**

Revenues from State sources for current operations are primarily from 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 nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided, and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District also received an allocation under the lottery-funded Public School Capital Outlay Program commonly called the "Classrooms for Kids." The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of Classrooms for Kids Program funds as deferred revenue until such time as an encumbrance authorization is received.

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

➤ **District Property Taxes**

The School 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 School Board adopted the 2004 tax levy on September 13, 2004. 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 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.

**EXHIBIT - L (Continued)**  
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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.

➤ **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.

**2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

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

**3. INVESTMENTS**

Section 218.415(17), Florida Statutes, authorizes the District to invest in the Local Government Surplus Funds Trust Fund, any intergovernmental investment pool, the money market funds registered with the Securities and Exchange Commission, interest-bearing time deposits or savings accounts, and direct obligations of the U.S. Treasury.

Investments with a fair value of \$126,625,876.46 at June 30, 2005, are in the State Board of Administration investment pool with an average maturity of 54 days. The District's investment in the Local Government Surplus Funds Trust Fund investment pool is unrated.



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The District also reported investments totaling \$265,389.82 at June 30, 2005, in the State Board of Administration Debt Service Accounts to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. These investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.

In addition, the District's banking services agreement in place during the 2004-05 fiscal year permits balances in the District's payroll bank account to be swept daily into the Dreyfus Cash Management Fund. This money market mutual fund invests in United States Treasury securities, short-term securities issued by domestic or foreign banks, repurchase agreements, and short-term corporate obligations. The fund is rated AAAM by Standard & Poor's and Aaa by Moody's. At June 30, 2005, \$890,823 of the District's reported cash balance is invested overnight in the money market mutual fund. The District relies on its bank to manage the credit risks associated with this arrangement.

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

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	Balance 7-1-04	Additions	Deletions	Balance 6-30-05
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 10,448,542.21	\$ 661,805.33	\$ 131,900.00	\$ 10,978,447.54
Construction in Progress	6,926,909.83	9,961,728.17	5,855,399.83	11,033,238.17
<b>Total Capital Assets Not Being Depreciated</b>	<b>17,375,452.04</b>	<b>10,623,533.50</b>	<b>5,987,299.83</b>	<b>22,011,685.71</b>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	22,308,022.44	1,857,436.64		24,165,459.08
Buildings and Fixed Equipment	264,638,217.52	10,606,645.72		275,244,863.24
Furniture, Fixtures, and Equipment	41,898,167.78	3,218,895.15	3,237,743.20	41,879,319.73
Motor Vehicles	17,207,661.64	131,734.71	672,169.48	16,667,226.87
Property Under Capital Lease	985,582.45			985,582.45
Audio Visual Materials	3,302,881.23	555,438.70		3,858,319.93
Computer Software	3,009,378.67	14,060.34	412,100.84	2,611,338.17
<b>Total Capital Assets Being Depreciated</b>	<b>353,349,911.73</b>	<b>16,384,211.26</b>	<b>4,322,013.52</b>	<b>365,412,109.47</b>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	10,028,148.70	3,004,750.23		13,032,898.93
Buildings and Fixed Equipment	96,837,355.54	6,525,768.09		103,363,123.63
Furniture, Fixtures, and Equipment	27,183,361.95	2,741,479.00	3,151,031.69	26,773,809.26
Motor Vehicles	9,909,998.30	732,246.31	672,051.62	9,970,192.99
Audio Visual Materials	2,794,434.96	244,891.93		3,039,326.89
Computer Software	2,786,690.91	128,372.41	401,412.00	2,513,651.32
<b>Total Accumulated Depreciation</b>	<b>149,539,990.36</b>	<b>13,377,507.97</b>	<b>4,224,495.31</b>	<b>158,693,003.02</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>203,809,921.37</b>	<b>3,006,703.29</b>	<b>97,518.21</b>	<b>206,719,106.45</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 221,185,373.41</b>	<b>\$ 13,630,236.79</b>	<b>\$ 6,084,818.04</b>	<b>\$ 228,730,792.16</b>

The class of property under capital lease is presented in Note 5.

The District's capital assets serve multiple functions; therefore, depreciation expenses were not allocated to the various expense functions on exhibit B, but is shown as unallocated depreciation expense.

**5. OBLIGATIONS UNDER CAPITAL LEASE**

The class and amount of property being acquired under capital lease are as follows:

	<u>Asset Balance</u>
Energy Savings Renovations	<u>\$ 985,582.45</u>

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Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 130,799.00	\$ 117,149.49	\$ 13,649.51
2007	<u>130,799.00</u>	<u>124,773.42</u>	<u>6,025.58</u>
Total Minimum Lease Payments	<u>\$ 261,598.00</u>	<u>\$ 241,922.91</u>	<u>\$ 19,675.09</u>

The stated interest rate is 6.41 percent.

**6. CERTIFICATES OF PARTICIPATION**

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

On November 1, 2004, the master financing arrangement was amended and the Corporation issued Certificates of Participation, Series 2004-Qualified Zone Academy Bonds (QZAB), in the amount of \$3,313,000. Under the terms of the lease agreement for the Series 2004-QZAB, the District is required to make 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 Corporation issued Certificates of Participation, Series 2005, in the amount of \$27,285,000 to advance refund a portion of the Certificates of Participation, Series 1997.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Leon School Board Leasing Corporation, with a rental fee of \$10 per year. The initial terms of the lease are approximately 35 years commencing on October 1, 1997 (Series 1997 COPS); 16 years commencing on November 1, 2004 (Series 2004-QZAB); and 17 years commencing on March 1, 2005 (Series 2005, COPS Refunding). The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the Certificates for a period

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of time specified by the arrangement which may be up to 35 years from the date of inception of the arrangement.

The District properties included in the ground lease under this arrangement include the Lawton Chiles High School (Series 1997 and Series 2005, Refunding) and technology equipment at 24 District school sites as listed in the Lease Schedule for the Series 2004-QZAB Certificates.

The lease payments are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 2.50 to 4.60 percent, except for the Series 2004-QZAB which mature fully on November 23, 2020, with interest paid by the Federal government in the form of annual tax credits to the holders of the Certificates. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 1,999,531.81	\$ 1,040,000.00	\$ 959,531.81
2007	2,379,460.00	1,275,000.00	1,104,460.00
2008	2,379,130.00	1,330,000.00	1,049,130.00
2009	2,391,475.00	1,390,000.00	1,001,475.00
2010	2,385,987.50	1,425,000.00	960,987.50
2011-2015	11,885,037.50	7,895,000.00	3,990,037.50
2016-2020	13,943,795.00	11,619,270.00	2,324,525.00
2021-2023	<u>8,297,848.75</u>	<u>7,883,730.00</u>	<u>414,118.75</u>
Total Minimum Lease Payments	<u>\$45,662,265.56</u>	33,858,000.00	<u>\$11,804,265.56</u>
Add: Unamortized Premium		<u>158,311.45</u>	
Total Certificates of Participation		<u>\$34,016,311.45</u>	

**7. BONDS PAYABLE**

Bonds payable at June 30, 2005, are as follows:

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Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1996-A	\$ 5,115,000.00	4.6 - 6.0	2016
Series 1997-A	2,440,000.00	4.8 - 6.0	2017
Series 1998-A	985,000.00	4.5 - 5.5	2018
Series 1999-A	420,000.00	4.00 - 4.75	2019
Series 2001-A	1,690,000.00	4.10 - 5.25	2021
District Revenue Bonds:			
Series 1999, Refunding	1,165,000.00	5.19	2013
Series 2003, Sales Tax Revenue	52,330,000.00	2.00 - 5.25	2012
District General Obligation Bonds:			
Series 2000, Refunding	13,610,000.00	5	2008
Series 2003, Refunding	<u>16,355,000.00</u>	4 - 5	2009
<b>Total Bonds</b>	<b>94,110,000.00</b>		
<b>Add: Unamortized Bond Premium</b>	<u><b>4,253,451.87</b></u>		
<b>Total Bonds Payable</b>	<u><b>\$98,363,451.87</b></u>		

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

➤ **State School Bonds**

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

➤ **District Revenue Bonds**

**Refunding Revenue Bonds, Series 1999.** These bonds are generally referred to as "Special Act Bonds" and are authorized by Chapter 71-746, Laws of Florida, which provides that the bonds be secured from the pari-mutuel tax proceeds distributed annually to Leon County from the State's Pari-Mutuel Tax Collection Trust Fund pursuant to Chapter 550, Florida Statutes (effective July 1, 2000, tax proceeds are distributed pursuant to Section 212.20(6)(d)7.a., Florida Statutes). The annual distribution is remitted by the Florida Department of Financial Services to the District. As required by the bond resolution, the District has established the sinking fund and reserve account and has accumulated and maintained adequate resources in those accounts.

**Sales Tax Revenue Bonds, Series 2003.** These bonds are authorized by Section 212.055(6), Florida Statutes, and are secured by a pledge of the proceeds from a one-half cent discretionary sales surtax levied as authorized by the voters of Leon County by referendum on November 5, 2002.

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➤ **District General Obligation Bonds**

General Obligation Bonds, Series 2000, Refunding, and Series 2003, Refunding, are authorized by Sections 132.33 through 132.47, Florida Statutes, and are secured by a pledge of property taxes levied pursuant to Chapters 1010 and 1011, Florida Statutes.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2005, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
<b>State School Bonds:</b>			
2006	\$ 1,188,181.25	\$ 660,000.00	\$ 528,181.25
2007	1,190,131.25	700,000.00	490,131.25
2008	1,192,918.75	740,000.00	452,918.75
2009	1,198,293.75	780,000.00	418,293.75
2010	1,196,902.50	815,000.00	381,902.50
2011-2015	6,035,398.75	4,765,000.00	1,270,398.75
2016-2020	2,294,162.50	2,075,000.00	219,162.50
2021	<u>120,750.00</u>	<u>115,000.00</u>	<u>5,750.00</u>
<b>Total State School Bonds</b>	<u>14,416,738.75</u>	<u>10,650,000.00</u>	<u>3,766,738.75</u>
<b>District Revenue Bonds:</b>			
2006	7,860,538.75	5,925,000.00	1,935,538.75
2007	7,882,459.50	6,105,000.00	1,777,459.50
2008	7,832,570.75	6,240,000.00	1,592,570.75
2009	7,835,997.50	6,475,000.00	1,360,997.50
2010	7,831,880.00	6,710,000.00	1,121,880.00
2011-2014	<u>23,523,923.75</u>	<u>22,040,000.00</u>	<u>1,483,923.75</u>
<b>Total District Revenue Bonds</b>	<u>62,767,370.25</u>	<u>53,495,000.00</u>	<u>9,272,370.25</u>
<b>General Obligation Bonds:</b>			
2006	7,446,525.00	6,165,000.00	1,281,525.00
2007	7,441,950.00	6,445,000.00	996,950.00
2008	7,426,237.50	6,735,000.00	691,237.50
2009	7,409,625.00	7,055,000.00	354,625.00
2010	<u>3,654,125.00</u>	<u>3,565,000.00</u>	<u>89,125.00</u>
<b>Total General Obligation Bonds</b>	<u>33,378,462.50</u>	<u>29,965,000.00</u>	<u>3,413,462.50</u>
<b>Total</b>	<u>\$ 110,562,571.50</u>	<u>\$ 94,110,000.00</u>	<u>\$ 16,452,571.50</u>

**8. DEFEASED DEBT**

On March 9, 2005, the Board issued \$27,285,000 in Refunding Certificates of Participation, Series 2005, with interest rates ranging from 2.50 percent to 4.25 percent, to advance refund a portion of the District's

**EXHIBIT - L (Continued)**  
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Certificates of Participation, Series 1997. Net proceeds of \$26,971,798 (after payment of \$471,773 in underwriting fees, insurance, and other issuance costs) were placed in an irrevocable trust to provide for a portion of future debt service payments on the Series 1997 Certificates of Participation. As a result, \$25,595,000 of the Series 1997 Certificates of Participation are considered to be defeased and the liability for these certificates of participation has been removed from the government-wide financial statements.

The Series 1997 Certificates of Participation were refunded to reduce total debt service payments over the next 18 years by approximately \$1,594,967.68 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,307,728.78.

In prior years, the School Board defeased in substance various debt issues by placing a portion of the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the in-substance defeased bonds are not included in the District's financial statements. The details of the in-substance defeased debt as of June 30, 2005, are as follows:

<u>Bond Issue</u>	<u>Defeased Amount</u>
General Obligation Bonds, Series 1988A	\$ 8,910,000
General Obligation Bonds, Series 1988B	4,800,000
General Obligation Bonds, Series 1989A	12,275,000
General Obligation Bonds, Series 1989B	4,550,000
General Obligation Refunding Bonds, Series 1991	13,690,000
General Obligation Refunding Bonds, Series 1993	17,025,000
District Revenue Bonds, Series 1985	1,200,000

**9. CHANGES IN LONG-TERM LIABILITIES**

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

<u>Description</u>	<u>Balance</u> <u>7-1-04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6-30-05</u>	<u>Due in</u> <u>One Year</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Obligations Under Capital Lease	\$ 351,914.31	\$	\$ 109,991.40	\$ 241,922.91	\$ 117,149.49
Installment-Purchases Payable	22,790.47		22,790.47		
Bonds Payable	111,221,668.62		12,858,216.75	98,363,451.87	12,750,000.00
Certificates of Participation Payable	29,855,000.00	30,756,570.55	26,595,259.10	34,016,311.45	1,040,000.00
Estimated Insurance Claims Payable	5,404,633.00	2,886,961.64	1,595,106.64	6,696,488.00	1,260,531.00
Compensated Absences Payable	25,136,340.65	6,464,691.18	3,034,669.49	28,566,362.34	2,750,000.00
Total Governmental Activities	<u>\$171,992,347.05</u>	<u>\$40,108,223.37</u>	<u>\$44,216,033.85</u>	<u>\$167,884,536.57</u>	<u>\$17,917,680.49</u>

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For the governmental activities, compensated absences are generally liquidated with resources of the General Fund.

**10. RESERVE FOR 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 Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2005-06 fiscal year budget as a result of purchase orders outstanding at June 30, 2005.

**11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

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

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 1,666,089.10	\$ 2,002,619.68
Capital Projects:		
District Bonds		96,306.03
Local Capital Improvement	202,743.15	396,127.07
Other	615,268.24	840,609.80
Nonmajor Governmental Funds	121,093.60	1,035,704.97
Nonmajor Enterprise Fund	7,860.00	338.24
Fiduciary Funds:		
Other Employee Benefit Trust Agency	1,908,253.72	
		149,602.02
Total	\$ 4,521,307.81	\$ 4,521,307.81

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

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



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Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 2,979,851.77	\$ 43,205.64
Debt Service:		
Other	10,272,592.92	
Capital Projects:		
Local Capital Improvement		5,350,000.00
Other		7,772,592.92
Nonmajor Governmental Funds	43,205.64	129,851.77
Total	<u>\$ 13,295,650.33</u>	<u>\$ 13,295,650.33</u>

The principal purposes of the interfund transfers were related to the transfer of PECO maintenance funds to the General Fund and the transfer of Capital Projects money to the Debt Service Funds for repayment of Certificates of Participation and District Bonds.

**12. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the District's State revenue for the 2004-05 fiscal year:

Source	Amount
Florida Education Finance Program	\$ 93,998,987.00
Categorical Educational Programs:	
Class Size Reduction	11,650,349.00
Transportation	4,241,417.00
Instructional Materials	2,690,605.00
Discretionary Lottery Funds	1,762,207.00
School Recognition	1,449,666.00
Other	2,441,721.80
Workforce Development Program	5,886,297.00
Gross Receipts Tax (Public Education Capital Outlay)	3,368,671.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,354,998.00
Adult Disability and Senior Adult Learning	1,140,495.00
Test Development Center	1,499,875.00
Food Service Supplement	169,111.00
Mobile Home License Tax	128,265.78
Charter School Capital Outlay	117,335.00
Miscellaneous	967,696.93
Total	<u>\$ 132,867,697.51</u>

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

**EXHIBIT - L (Continued)**  
**LEON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**13. PROPERTY TAXES**

The following is a summary of millages and taxes levied on the 2004 tax roll for the 2004-05 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<b><u>GENERAL FUND</u></b>		
Nonvoted School Tax:		
Required Local Effort	5.684	\$ 62,162,392
Basic Discretionary Local Effort	0.510	5,577,554
Supplemental Discretionary Local Effort	0.155	1,695,139
<b><u>DEBT SERVICE FUNDS</u></b>		
Voted Tax:		
Special Tax School District No. 1	0.726	7,939,819
<b><u>CAPITAL PROJECTS FUNDS</u></b>		
Nonvoted Tax:		
Local Capital Improvements	2.000	21,872,763
Total	9.075	\$ 99,247,667

**14. STATE RETIREMENT PROGRAM**

**Defined Benefit Plan.** All regular employees of the District are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS. Benefits in the defined benefit plan vest at six years of service. The defined benefit plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The defined benefit plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

A Deferred Retirement Option Program (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 the DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel

**EXHIBIT - L (Continued)**  
**LEON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

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.

**Funding Policy.** The contribution rates for members are established, and may be amended, by the State of Florida. During the 2004-05 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	7.39
Florida Retirement System, Elected County Officers	0.00	15.23
Teachers' Retirement System, Plan E	6.25	11.35
State and County Officers and Employees' Retirement System, Plan B	4.00	9.10
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	9.11
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.08 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon the 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 ending June 30, 2003, June 30, 2004, and June 30, 2005, totaled \$7,756,256.48, \$10,620,162.06, and \$11,347,058.26, respectively, which were equal to the required contributions for each fiscal year.

**Defined Contribution Plan.** Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Required employer contributions made to the program for the fiscal year ending June 30, 2005, totaled \$105,379.20.

**EXHIBIT - L (Continued)**  
**LEON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

***Pension Reporting.*** The financial statements and other supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida which may be obtained from the Florida Department of Financial Services. Also, an annual report on the FRS, which includes its financial statements, required supplemental information, actuarial report, and other relevant information, may be obtained from the Florida Department of Management Services, Division of Retirement.

**15. RETIREMENT INCENTIVE BONUSES**

School Board policy provides for the payment of retirement incentive bonuses to qualifying employees equal to ten percent of their annual salary, excluding supplements, at the date of termination of employment. In addition to payments for accrued leave used and regular termination benefits, the District reported expenditures totaling \$44,442.13 during the 2004-05 fiscal year for retirement incentive bonuses.

**16. CONSTRUCTION CONTRACT COMMITMENTS**

The following is a summary of major construction contract commitments remaining at fiscal year-end:

**EXHIBIT - L (Continued)**  
**LEON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

Project	Contract Amount	Completed to Date	Balance Committed
Leon County Schools Adult and Community Education:			
Engineer	\$ 17,615.00	\$ 15,399.00	\$ 2,216.00
Architect	170,666.07	157,277.94	13,388.13
Contractor	1,955,600.00	687,748.44	1,267,851.56
Godby High School:			
Engineer	13,604.90	9,374.90	4,230.00
Architect	92,550.00	66,037.50	26,512.50
Contractor	843,293.55	52,887.38	790,406.17
Lawton Chiles High School:			
Engineer	275,046.56	275,046.56	
Architect	1,868,731.19	1,868,731.19	
Contractor	33,557,913.67	33,269,000.83	288,912.84
New Elementary School "K":			
Engineer	37,500.00	2,671.21	34,828.79
Architect	267,068.34	113,074.49	153,993.85
Contractor	11,296,436.14	541,740.80	10,754,695.34
Raa Middle School:			
Engineer	2,700.00	320.00	2,380.00
Architect	109,900.42	108,290.42	1,610.00
Contractor	975,559.92	975,559.92	
Rickards High School:			
Engineer	39,430.00	39,430.00	
Architect	91,159.20	91,159.20	
Contractor	896,576.80	249,104.14	647,472.66
Roberts Elementary School:			
Engineer	42,801.14	42,801.14	
Architect	516,824.30	516,824.30	
Contractor	9,819,713.68	9,131,715.38	687,998.30
Second Chance School:			
Engineer	18,900.00	12,942.25	5,957.75
Architect	687,977.56	591,865.42	96,112.14
Contractor	8,403,315.88	1,988,986.30	6,414,329.58
Brevard Elementary School - Renovations:			
Engineer	69,979.00	59,591.22	10,387.78
Architect	254,673.08	13,266.80	241,406.28
Contractor	922,578.34	214,133.60	708,444.74
Lincoln High School - Renovations:			
Engineer	3,430.00		3,430.00
Contractor	4,312,645.95	1,407,840.82	2,904,805.13
Fairview Middle School - Remodeling:			
Architect	45,127.04	4,542.01	40,585.03
Contractor	1,274,446.23	441,268.33	833,177.90
Nims Middle School - Remodeling:			
Contractor	2,876,507.48	2,772,563.46	103,944.02
<b>Total</b>	<b><u>\$ 81,760,271.44</u></b>	<b><u>\$ 55,721,194.95</u></b>	<b><u>\$ 26,039,076.49</u></b>

**EXHIBIT - L (Continued)**  
**LEON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**17. CONSORTIUMS**

The District is a member of the North Florida Instructional Television Consortium which provides for the promotion and development of instructional television services for its members. The Consortium offices are located in Leon County, and the Leon County District School Board is the fiscal agent.

**18. 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 of claim amounts above the stated amount on an individual claim basis, and aggregate excess coverage when total claims minus specific excess coverage exceeds the loss fund established annually by the District. The District has contracted with an insurance administrator to administer these self-insurance programs, including the processing, investigating, and payment of claims.

A liability in the amount of \$6,696,488 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2005.

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

	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2003-04	\$ 5,419,996.00	\$ 1,284,451.00	\$ (1,299,814.00)	\$ 5,404,633.00
2004-05	5,404,663.00	2,886,931.64	(1,595,106.64)	6,696,488.00

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

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

**EXHIBIT - L (Continued)**  
**LEON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**

**19. INSURANCE LOSS RECOVERIES**

In October 2004, damage totaling approximately \$796,000 was caused by fire at a District middle school. After a deductible of \$250,000, the District recovered approximately \$546,000 from its insurance carrier.

**20. LITIGATION**

The District is involved in several pending and threatened legal actions. The range of the loss from all claims and actions, as estimated by District management, should not materially affect the financial statements.

**EXHIBIT - M**  
**LEON COUNTY**  
**DISTRICT SCHOOL BOARD**  
**REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2005**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Intergovernmental:				
Federal Direct	\$ 165,000.00	\$ 182,359.77	\$ 182,359.77	\$
Federal Through State	15,000.00	349,910.12	863,082.63	513,172.51
Federal Through Local			1,238,450.00	1,238,450.00
State	130,379,359.97	129,359,656.37	127,635,658.86	(1,723,997.51)
Local	71,072,965.45	76,508,768.84	75,903,208.27	(605,560.57)
<b>Total Revenues</b>	<u>201,632,325.42</u>	<u>206,400,695.10</u>	<u>205,822,759.53</u>	<u>(577,935.57)</u>
<b>Expenditures</b>				
Current - Education:				
Instruction	135,163,077.43	132,937,264.60	122,137,460.10	10,799,804.50
Pupil Personnel Services	6,976,377.13	10,991,297.70	10,820,562.41	170,735.29
Instructional Media Services	3,614,498.07	4,142,087.08	4,018,927.74	123,159.34
Instruction and Curriculum Development Services	6,596,787.86	10,523,406.62	8,641,987.30	1,881,419.32
Instructional Staff Training	1,933,234.71	2,101,735.69	971,975.31	1,129,760.38
Board of Education	1,169,803.78	1,197,249.65	1,083,459.02	113,790.63
General Administration	1,427,568.17	1,617,957.75	1,135,520.34	482,437.41
School Administration	15,768,750.67	15,929,875.55	13,005,865.71	2,924,009.84
Facilities Acquisition and Construction	623,965.17	1,343,787.82	919,997.86	423,789.96
Fiscal Services	1,662,681.79	1,702,836.08	1,680,889.93	21,946.15
Central Services	11,156,365.20	10,584,003.25	8,410,230.85	2,173,772.40
Pupil Transportation Services	8,585,442.17	8,781,405.96	8,035,226.78	746,179.18
Operation of Plant	17,386,971.48	17,337,319.08	15,492,211.10	1,845,107.98
Maintenance of Plant	8,020,773.71	8,241,027.19	7,838,143.04	402,884.15
Community Services	4,577,648.53	4,701,757.21	3,373,219.52	1,328,537.69
Fixed Capital Outlay:				
Facilities Acquisition and Construction		237,392.14	15,530.70	221,861.44
Other Capital Outlay	1,457,109.28	2,415,001.65	1,086,730.83	1,328,270.82
Debt Service:				
Principal	130,799.00	109,991.40	109,991.40	
Interest and Fiscal Charges		20,807.60	20,807.60	
<b>Total Expenditures</b>	<u>226,251,854.15</u>	<u>234,916,204.02</u>	<u>208,798,737.54</u>	<u>26,117,466.48</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(24,619,528.73)</u>	<u>(28,515,508.92)</u>	<u>(2,975,978.01)</u>	<u>25,539,530.91</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	2,863,409.05	2,979,851.77	2,979,851.77	
Proceeds from Sale of Capital Assets		131,900.00	131,900.00	
Insurance Loss Recoveries			577,935.57	577,935.57
Transfers Out		(43,205.64)	(43,205.64)	
<b>Total Other Financing Sources (Uses)</b>	<u>2,863,409.05</u>	<u>3,068,546.13</u>	<u>3,646,481.70</u>	<u>577,935.57</u>
<b>Net Change in Fund Balance</b>	<u>(21,756,119.68)</u>	<u>(25,446,962.79)</u>	<u>670,503.69</u>	<u>26,117,466.48</u>
Fund Balance, July 1, 2004	31,541,142.60	31,541,142.60	31,541,142.60	
<b>Fund Balance, June 30, 2005</b>	<u>\$ 9,785,022.92</u>	<u>\$ 6,094,179.81</u>	<u>\$ 32,211,646.29</u>	<u>\$ 26,117,466.48</u>



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FEDERAL REPORTS AND SCHEDULES

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*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*

*INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133*

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*

*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS*



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street  
Tallahassee, Florida 32399-1450



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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

We have audited 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, 2005, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading ***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***. Our report on the basic financial statements included disclosures regarding our reference to the reports of 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. The financial statements of the Leon County Schools' Foundation, Inc., a discretely presented component unit, were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not extend to that component unit.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the District's basic financial statements and not to provide an opinion on the District's internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their

assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

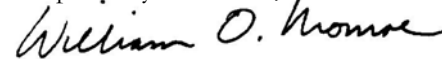
***Compliance and Other Matters***

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, administrative 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 did note certain instances of noncompliance related to Federal programs which are discussed in the ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*** section of this audit report.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



William O. Monroe, CPA

February 13, 2006



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
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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 COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

### *Compliance*

We have audited the District's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2005. The District's major Federal programs are identified in the **SUMMARY OF AUDIT RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of the District's compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the OMB's *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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2005. However, as discussed in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***, the results of our auditing procedures disclosed some instances of noncompliance with those requirements that are required to be reported in accordance with OMB *Circular A-133*.

### ***Internal Control Over Compliance***

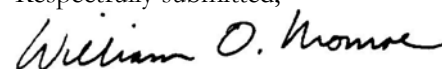
District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*.

We noted certain matters, described in the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***, involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major Federal program in accordance with applicable requirements of laws, regulations, contracts, and grants.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions referred to above is a material weakness.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



William O. Monroe, CPA

February 13, 2006

**LEON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2005**

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
<b>United States Department of Agriculture:</b>				
Indirect:				
Florida Department of Agriculture and Consumer Services: Food Donation	10.550 (2)	None	\$ 767,736.06	\$
Florida Department of Education: Child Nutrition Cluster:				
School Breakfast Program	10.553	321	853,405.00	
National School Lunch Program	10.555	300	3,668,001.00	
Summer Food Service Program for Children	10.559	323	208,663.00	
<b>Total Child Nutrition Cluster</b>			<b>4,730,069.00</b>	
Child and Adult Care Food Program	10.558	302	39,692.25	
Florida Department of Financial Services: Schools and Roads - Grants to States	10.665	None	89,960.12	
<b>Total United States Department of Agriculture</b>			<b>5,627,457.43</b>	
<b>United States Department of Justice:</b>				
Indirect:				
Florida Department of Juvenile Justice: Juvenile Accountability Incentive Block Grants	16.523	None	49,999.73	
<b>United States Department of Labor:</b>				
Indirect:				
Florida Department of Education: Migrant and Seasonal Farmworkers	17.264	405	8,962.22	
<b>United States Department of Education:</b>				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	44,711.05	
Federal Pell Grant Program	84.063	N/A	445,588.01	
<b>Total Student Financial Assistance Cluster</b>			<b>490,299.06</b>	
Safe and Drug-Free Schools and Communities - National Programs	84.184	N/A	358.88	
<b>Total Direct</b>			<b>490,657.94</b>	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	8,225,120.00	162,830.92
Special Education - Preschool Grants	84.173	266, 267	595,215.50	65,203.99
University of Central Florida:				
Special Education - Grants to States	84.027	None	7,750.00	
University of Florida:				
Special Education - Grants to States	84.027	None	3,000.00	
<b>Total Special Education Cluster</b>			<b>8,831,085.50</b>	<b>228,034.91</b>
Florida Department of Education:				
Adult Education - State Grant Program	84.002	191	480,737.88	
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	5,325,962.37	24,693.79
Vocational Education - Basic Grants to States	84.048	151	531,088.46	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	193,707.76	
Education for Homeless Children and Youth	84.196	127	83,695.58	
Even Start - State Educational Agencies	84.213	219	171,662.51	
Charter Schools	84.282	298	42,085.69	41,803.74
Twenty-First Century Community Learning Centers	84.287	244	3,148,752.40	530,792.80
State Grants for Innovative Programs	84.298	113	190,551.35	31,510.00
Education Technology State Grants	84.318	121	739,169.39	
Comprehensive School Reform Demonstration	84.332	128	154,936.17	
Reading First State Grants	84.357	211	721,612.17	
Voluntary Public School Choice	84.361	299	149,663.88	
English Language Acquisition Grants	84.365	102	44,535.19	
Improving Teacher Quality State Grants	84.367	224	1,027,306.93	2,220.84
Washington County District School Board: Reading First State Grants	84.357	None	16,875.00	
<b>Total Indirect</b>			<b>21,853,428.23</b>	<b>859,056.08</b>
<b>Total United States Department of Education</b>			<b>22,344,086.17</b>	<b>859,056.08</b>

**LEON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
For the Fiscal Year Ended June 30, 2005**

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
<b>United States Department of Health and Human Services:</b>				
Indirect:				
The Leon/Gadsden School Readiness Coalition: Temporary Assistance for Needy Families	93.558	None	\$ 208,480.30	\$
Child Care and Development Fund Cluster: Child Care and Development Block Grant	93.575	None	471,484.74	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	None	281,659.96	
<b>Total Child Care and Development Fund Cluster</b>			<u>753,144.70</u>	
<b>Total United States Department of Health and Human Services</b>			<u>961,625.00</u>	
<b>Corporation for National and Community Service:</b>				
Indirect:				
The Florida Commission on Community Service: AmeriCorps	94.006	None	212,403.88	
<b>United States Department of Homeland Security:</b>				
Indirect:				
Florida Department of Law Enforcement: State Domestic Preparedness Equipment Support Program	97.004	None	267,871.17	231,871.17
Florida Department of Education: State Domestic Preparedness Equipment Support Program	97.004	None	23,582.34	
<b>Total United States Department of Homeland Security</b>			<u>291,453.51</u>	<u>231,871.17</u>
<b>United States Department of Defense:</b>				
Direct:				
Air Force Junior Reserve Officers Training Corps	None	N/A	56,868.04	
Navy Junior Reserve Officers Training Corps	None	N/A	45,291.82	
Army Junior Reserve Officers Training Corps	None	N/A	44,449.09	
Marine Corps Junior Reserve Officers Training Corps	None	N/A	34,783.72	
<b>Total United States Department of Defense</b>			<u>181,392.67</u>	
<b>Total Expenditures of Federal Awards</b>			<u>\$ 29,677,380.61</u>	<u>\$ 1,090,927.25</u>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2004-05 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 Food Donation. Represents the amount of donated food allocations received during the 2004-05 fiscal year. Commodities are valued at fair value as determined at the time of donation.

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**LEON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**SUMMARY OF AUDIT RESULTS**

As required by United States Office of Management and Budget *Circular A-133*, Section \_\_.505, the following is a summary of the results of the audit of the Leon County District School Board for the fiscal year ended June 30, 2005:

- An unqualified opinion was issued on the financial statements.
- No material weaknesses in internal control were reported.
- No noncompliance was disclosed which is material to the financial statements.
- Certain matters were considered to be reportable conditions in internal control over major Federal programs, although none were considered to be a material weakness.
- An unqualified opinion was issued on major program compliance.
- Audit findings on Federal programs are listed below under the subheading ***FINDINGS AND RECOMMENDATIONS***.
- Major Federal programs included: Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553), National School Lunch Program (CFDA No. 10.555), and Summer Food Service Program for Children (CFDA No. 10.559)]; Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education – Preschool Grants (CFDA No. 84.173)]; Twenty-First Century Community Learning Centers (CFDA No. 84.287); Education Technology State Grants (CFDA No. 84.318); and Reading First State Grants (CFDA No. 84.357).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$890,321.42.
- The low risk entity threshold was not applied.



**LEON COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL AWARDS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**FINDINGS AND RECOMMENDATIONS**

**Federal Awards Finding No. 1:**

**Federal Agency:** United States Department of Agriculture

**Pass-Through Entity:** Florida Department of Education

**Program:** National School Lunch Program (CFDA No. 10.555)

**Finding Type:** Noncompliance

**Questioned Costs:** Not Applicable

**Special Tests and Provisions – On-site Reviews.** The District received monthly Federal reimbursements for the National School Lunch Program through the Florida Department of Education based upon the number of student lunches reported as served in the free, reduced-price, and full-price lunch categories. Title 7, Section 210.8(a)(1), Code of Federal Regulations, requires that each school district, prior to February 1, shall perform no less than one on-site review of each school under its jurisdiction. The Federal regulation also requires that each on-site review shall ensure that the school's claims for reimbursements are based on the counting system authorized under Title 7, Section 210.7(c), Code of Federal Regulations, and that the counting system, as implemented, yields the actual number of reimbursable free, reduced-price, and full-price lunches served for each day of operation. Although requested, the District was unable to provide documentation to support that the required on-site reviews were conducted for 27 of the District's 43 schools.

**Recommendation:** The District should enhance its procedures to ensure that sufficient documentation is prepared and maintained to evidence compliance with Federal on-site review requirements.

**Federal Awards Finding No. 2:**

**Federal Agency:** United States Department of Agriculture

**Pass-Through Entity:** Florida Department of Education

**Program:** National School Lunch Program (CFDA No. 10.555)

**Finding Type:** Noncompliance

**Questioned Costs:** Not Applicable

**Special Tests and Provisions – Competitive Food Sales.** The District did not comply with applicable Federal regulations and State rules relating to the sale of competitive food and beverage items. Title 7, Section 210.11, Code of Federal Regulations, requires that State agencies and school food authorities establish such rules and regulations as are necessary to control the sale of foods in competition with lunches served under the National School Lunch Program. State Board of Education Rule 6-7.042(2)(c), Florida Administrative Code, provides that:

- Items of minimum nutritional value as listed in Title 7, Section 210, Code of Federal Regulations, may be sold in secondary schools only, with the approval of the school board, one hour following the last lunch period.

- Carbonated beverages may be sold to students in high schools by a school activity or organization authorized by the principal at all times if a beverage of 100 percent fruit juice is sold at each location where carbonated beverages are sold. However, carbonated beverages may not be sold where breakfast or lunch is being served or eaten.
- Non-carbonated beverages, including 100 percent fruit juice, may be sold at all times during the day at any location.

Our review of the District's procedures regarding competitive food sales at five District high schools disclosed the following:

- Three high schools had vending machines that contained items of minimal nutritional value which were available to students during lunch periods.
- All five high schools had vending machines that contained carbonated beverages which were available to students during lunch periods; however, 100 percent fruit juice was not available at these same locations.

Such conditions appear to be contrary to the State Board of Education Rule noted above.

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**Recommendation:** The District should enhance its procedures to ensure compliance with Federal regulations and State Board of Education rules relating to the sale of competitive food and beverage items.

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**Federal Awards Finding No. 3:**

**Federal Agency:** United States Department of Agriculture and United States Department of Education

**Pass-Through Entity:** Florida Department of Education

**Program:** Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553), National School Lunch Program (CFDA No. 10.555), and Summer Food Service Program for Children (CFDA No. 10.559)]; Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education – Preschool Grants (CFDA No. 84.173)]; and Twenty-First Century Community Learning Centers (CFDA No. 84.287)

**Finding Type:** Reportable Condition and Noncompliance

**Questioned Costs:** Not Applicable

**Suspension and Debarment.** United States Office of Management and Budget (OMB) *Circular A-133* provides that vendors receiving individual awards of Federal money for \$25,000 or more must certify that the organization and its principals are not suspended or debarred from receiving Federal funds. The Circular also provides that non-Federal entities may, but are not required to, verify a vendor's suspension debarment status by checking the *List of Parties Excluded From Federal Procurement or Nonprocurement Programs* issued by the General Services Administration (GSA). Our review disclosed that District records did not evidence compliance with the suspension and debarment requirement for the expenditure of:

- Child Nutrition Cluster funds of \$689,438.96 paid to five vendors for food service products;
- Special Education Cluster funds of \$705,884.22 paid to five vendors for educational materials and professional services; and
- Twenty-First Century Community Learning Centers funds of \$579,869.55 paid to two subrecipients and one vendor for educational services and instructional materials, respectively.

We verified that the vendors and subrecipient entities included in our tests were not included on the GSA's *Excluded Parties List System*. However, audit tests cannot substitute for management's responsibility to establish and maintain an adequate system of internal control.

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**Recommendation: The District should establish procedures, prior to contracting with applicable vendors, to verify that the vendors and subrecipient entities are not suspended or debarred or otherwise excluded from receiving Federal funds.**

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**Federal Awards Finding No. 4:**

**Federal Agency: United States Department of Education**

**Pass-Through Entity: Florida Department of Education**

**Program: Title I Grants to Local Educational Agencies (CFDA No. 84.010)**

**Finding Type: Noncompliance**

**Questioned Costs: Not Applicable**

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**Equipment and Real Property Management.** According to the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement*, Section 3.F., equipment purchased with Federal funds should be used in the program for which it was acquired, or when appropriate, other Federal programs. Title 34, Section 80.32, Code of Federal Regulations, states, in part, that when equipment purchased with Federal funds is no longer needed for the original program, the equipment may be used in other activities currently or previously supported by a Federal agency. Our review disclosed equipment purchased with Title I funds located at two District high schools that were not categorized as Title I schools for the 2004-05 fiscal year. The equipment was purchased in the 2002-03 fiscal year at costs totaling \$68,589.16. In response to our inquiry, one of the schools stated that two pieces of the equipment were not being used for any purpose and four pieces were being used, in part, for purposes other than a Federal program.

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**Recommendation: The District should enhance its procedures to ensure that equipment purchased with Federal funds is used in accordance with Federal regulations.**

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**Federal Awards Finding No. 5:**

**Federal Agency: United States Department of Education**

**Pass-Through Entity: Florida Department of Education**

**Program: Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education – Preschool Grants (CFDA No. 84.173)]; Twenty-First Century Community Learning Centers (CFDA No. 84.287); and Education Technology State Grants (CFDA No. 84.318)**

**Finding Type: Reportable Condition and Noncompliance**

**Questioned Costs: Not Applicable**

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**Allowable Costs/Cost Principles – Compensation of Personnel Services.** The United States Office of Management and Budget *Circular A-87* provides that charges to Federal awards for salaries and wages be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official of the governmental unit. Where employees are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by monthly personnel activity reports or

equivalent documentation. These reports must reflect an after-the-fact distribution of the actual activity of each employee and must be signed by the employee. Where employees are expected to work solely on a single Federal award or cost objective, charges for salaries and wages are to be supported by periodic certifications, prepared at least semi-annually, that the employees worked solely on that program for the period of the certification. Alternatively, other substitute reporting systems may be used if approved by the cognizant Federal agency. The United States Department of Education has approved a substitute reporting system for grants received by the District through the Florida Department of Education. The substitute system provides that, where employees are expected to work on multiple activities or cost objectives, estimated percentages of employees' salaries will be assigned to accounts and, if necessary, adjusted based on actual personnel activity reports prepared for the months of September, January, and May. These reports must be signed by the employee and initialed by the immediate supervisor.

Our review disclosed that enhancements were needed in District procedures for maintaining documentation to support the allocation of salaries to certain Federal programs, as follows:

- The District did not obtain the required semi-annual certifications for 16 employees working solely on the Special Education Cluster program to support salary expenditures totaling \$825,241.69.
- For two employees working on multiple activities with salary expenditures totaling \$89,163.61 charged to the Twenty-First Century Community Learning Centers program (21<sup>st</sup> CCLC), the District provided time and effort logs that referenced the Title I Grants to Educational Agencies program (Title I). We performed alternative procedures to determine that the employees worked on 21<sup>st</sup> CCLC activities and not on Title I activities.
- The District did not obtain the required semi-annual certifications for four employees working solely on the Education Technology State Grants program to support salary expenditures totaling \$146,237.24. In addition, the District did not obtain the required personnel activity reports for one employee charged 50 percent to the Educational Technology grant to support salary expenditures totaling \$4,857.56.

Absent the required certifications, we performed additional audit procedures, including obtaining confirmations from applicable employees and interviewing supervisory personnel, to determine that the employees' salaries charged to the Federal program were commensurate with the time actually spent on Federal program activities by these employees.

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**Recommendation: The District should enhance procedures to ensure that documentation to support salaries charged to Federal programs is maintained for employees working on single and multiple cost objectives.**

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**Federal Awards Finding No. 6:****Federal Agency: United States Department of Education****Pass-Through Entity: Florida Department of Education****Program: Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education – Preschool Grants (CFDA No. 84.173)] and Twenty-First Century Community Learning Centers (CFDA No. 84.287)****Finding Type: Noncompliance****Questioned Costs: Not Applicable**

**Procurement – Contract Administration.** Improvements were needed in District procedures for including required provisions in written agreements for expenditures funded with Federal moneys. Title 34, Section 80.36(i), Code of Federal Regulations, requires District contracts involving Federal funds to contain certain provisions, including the following:

- Retention of all required records for three years after the grantee or subgrantee makes final payment and all other pending matters are closed, and
- Access by the grantee, the subgrantee, the Federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers, and records of the vendor which are directly pertinent to that specific agreement for the purpose of making audit and transcriptions.

Our review disclosed that the District paid \$644,379.42 of Special Education Cluster grant funds to three vendors for instructional, behavioral, and therapeutic services and \$544,197.35 of Twenty-First Century Community Learning Centers grant funds to two subrecipients and one vendor for educational services without contracts including the above provisions. Failure to include the required contract provisions could limit the District's actions if disputes arose with the contractors and could result in disallowance of grant expenditures by the grantor.

**Recommendation: The District should enhance its contract administration procedures to ensure that expenditures funded with Federal moneys are made pursuant to contracts that include the required contractual provisions.**

**Federal Awards Finding No. 7:****Federal Agency: United States Department of Education****Pass-Through Entity: Florida Department of Education****Program: Education Technology State Grants (CFDA No. 84.318)****Finding Type: Reportable Condition and Noncompliance****Questioned Costs: Not Applicable**

**Activities Allowed or Unallowed.** The United States Office of Management and Budget *Circular A-87*, Attachment A, Section C.1., provides that expenditures to be charged to Federally-funded programs must be necessary and reasonable and comply with any restrictions imposed by grant terms. Our review of Education Technology State Grants program expenditures, totaling \$569,553.81, disclosed no written approval for payment by the grant director of one employee's salary totaling \$4,857.56 and five general expenditure transactions totaling \$447,459.01. Although our review indicated that these expenditures were appropriate charges for the grant

program, the lack of approval of the expenditure of grant funds by a District employee knowledgeable of the grant results in an increased risk of expenditures being charged to grant funds for purposes unrelated to the grant program.

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**Recommendation:** The District should implement procedures to ensure that expenditures to be charged to Federal grant programs are reviewed and approved by a District employee knowledgeable of grant terms and restrictions, such as the grant director.

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**Federal Awards Finding No. 8:**

**Federal Agency:** United States Department of Education

**Pass-Through Entity:** Florida Department of Education

**Program:** Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education – Preschool Grants (CFDA No. 84.173)] and Education Technology State Grants (CFDA No. 84.318)

**Finding Type:** Noncompliance

**Questioned Costs:** Not Applicable

**Procurement.** United States Office of Management and Budget's *Circular A-133 Compliance Supplement*, Section 3.I., states, in part, that governmental subrecipients of States shall ensure that the State's laws and procedures are followed and that the procurement policies and procedures used are the same as for non-Federal funds. State Board of Education Rule 6A-1.012(10), Florida Administrative Code, provides that a district school board may acquire information technology resources through a bid process or by direct negotiation and contract with a vendor, as best fits the needs of the school district as determined by the school board. We reviewed information technology purchases of approximately \$35,000 made from Special Education Cluster program funds and approximately \$400,000 made from Education Technology State Grants program funds. In response to our inquiry, District staff indicated that these purchases were made through direct negotiation with the vendors. However, the District records provided for our review did not evidence the basis for the negotiations. District staff further stated that although these purchases were approved by the District Technology and Information Services office and were made pursuant to the Board-approved District Technology Plan, the direct negotiation purchasing method was not approved by the Board as required by the State Board of Education rule.

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**Recommendation:** The District should enhance its procurement procedures to ensure that information technology resource purchases are made in accordance with State Board of Education rules and that the procurement process for such purchases is properly documented.

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**Federal Awards Finding No. 9:**

**Federal Agency:** United States Department of Education

**Pass-Through Entity:** Florida Department of Education

**Program:** Education Technology State Grants (CFDA No. 84.318)

**Finding Type:** Noncompliance

**Questioned Costs:** Not Applicable

**Special Tests and Provisions – Private School Participation.** Title 34, Section 200, Code of Federal Regulations, provides, in part, for consultation with appropriate private school officials to provide special

educational services or other benefits on an equitable basis to eligible children who are enrolled in private elementary and secondary schools. Additionally, the United States Office of Management and Budget's *Circular A-133 Compliance Supplement*, Section 4., Department of Education, provides, in part, that a local educational agency receiving applicable Federal funds must engage in timely and meaningful consultation with private school officials.

The Education Technology State Grants program (Education Technology) provides resources to improve student academic achievement through the use of technology in elementary and secondary schools; assist students in crossing the digital divide by ensuring that every student is technologically literate by the end of the eighth grade; and encourage the effective integration of technology resources and systems through teacher training, curriculum development, and the incorporation of research-based instructional methods. The District's Education Technology grant application specifically states that private schools within the District must be given the opportunity to participate in the Education Technology program on an equitable basis and must be consulted during the planning and implementation phase of the grant. During that phase, the District determined the grade spans and District schools that would benefit the most from the grant and implemented the program for those grades and schools, which underscores the importance of timely consultation with the private schools. Pursuant to our inquiry, District personnel stated that private schools were consulted and provided the opportunity to participate during the planning and implementation phase of the initial grant, which was awarded to the District in December 2003. However, District records did not evidence the notification of, or the extent of involvement of, private schools in the planning and implementation phase. The District did provide for audit review the notification sent to area private schools regarding the Education Technology grant for the 2004-05 fiscal year.

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**Recommendation: The District should enhance procedures to ensure timely and meaningful consultation with private school officials regarding the participation in Federal grant programs and maintain documentation of such consultation.**

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**LEON COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2005**

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 Ferguson P.A. and Law, Redd, Crona, & Munroe P.A. Finding 04-1	Twenty-First Century Community Learning Centers (CFDA No. 84.287) - Subrecipient Monitoring	The contract with subrecipients did not contain information concerning the Federal funds, nor did it require the subrecipients be audited in accordance with OMB <i>Circular A-133</i> . Additionally, although the contract required the subrecipient to invoice the District monthly for services provided, 85 percent of the amount due under the contract extending to June 2004 was paid out in November 2003.	Subrecipients are now required to complete a Professional/Technical Services Agreement (PTSA), in addition to the contract. An addendum was added to the PTSA which contains all required disclosure information to subrecipients. Distributions to subrecipients are now being made based on documentation of actual children served.	Corrected.
Thomas Howell Ferguson P.A. and Law, Redd, Crona, & Munroe P.A. Finding 04-1	Education Technology State Grants (CFDA No. 84.318) - Subrecipient Monitoring	The contract with subrecipients did not contain information concerning the Federal funds, nor did it require the subrecipients be audited in accordance with OMB <i>Circular A-133</i> . Additionally, the contract with the subrecipient was not approved by the Board and included conflicting terms regarding payment.	Subrecipients are now required to complete a PTSA, in addition to the contract. An addendum was added to the PTSA which contains all required disclosure information to subrecipients. Contracts are now required to be Board-approved separately from the approval of the grant.	Corrected.



MANAGEMENT RESPONSE

BOARD CHAIRMAN  
H. Fred Varn

BOARD VICE-CHAIR  
Maggie B. Lewis



BOARD MEMBERS  
Georgia "Joy" Bowen  
Sheila Costigan  
Dee Crumpler

SUPERINTENDENT  
William J. Montford, III

March 13, 2006

Mr. William O. Monroe, CPA  
Auditor General  
P.O. Box 1735  
111 West Madison Street  
Tallahassee, FL 32302

Dear Mr. Monroe:

Enclosed is the written response of explanation regarding the tentative findings reflected in the Preliminary Audit Report for Federally Financed Programs concerning the audit of Leon County District School Board for the fiscal year 2004-2005.

We would like to thank you for this opportunity to response to audit findings as this will enable us to address issues which will facilitate the District's ability to provide better services to students. Should you need any further clarification or information, please feel free to contact us.

Sincerely,

A handwritten signature in black ink that reads "William J. Montford, III".

William J. Montford, III  
Superintendent

Attachment

Cc: All School Board Members  
School Board Attorney  
Assistant Superintendents  
Internal Auditing

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**MANAGEMENT RESPONSE (CONTINUED)**


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Mr. William O. Monroe, CPA  
 March 13, 2006  
 Page 2 of 7

Federal Awards Finding No. 1 Federal Agency: United States Department of Agriculture Pass-Through Entity: Florida Department of Education Program: National School Lunch Program (CFDA No. 10.555) Finding Type: Noncompliance Questioned Costs: Not Applicable
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Procedures have been enhanced to ensure that Federal on-site reviews are completed prior to February 1. Additional training and emphasis has been placed on completion of the reviews.

In 2004 one supervisor position was vacant and that created a shortage of staff with the knowledge, training, and experience to conduct the on-site reviews. Approximately 62% of the required reviews were completed that year. The position was filled and the individual trained to conduct the reviews. As a result, 100% of the required Federal on-site reviews were completed prior to December 16 of the current (2005-2006) school year and are on file in the Nutrition Services office.

*Responsible Party:*  
 Tim Tankersley  
 Director, Nutrition Services

Federal Awards Finding No. 2 Federal Agency: United States Department of Agriculture Pass-Through Entity: Florida Department of Education Program: National School Lunch Program (CFDA No. 10.555) Finding Type: Noncompliance Questioned Costs: Not applicable
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The School District approved a Wellness Policy on March 8, 2005 mandating the availability of 100% fruit juices and other healthy alternatives in all schools. All schools have a new contract with beverage vendors as of March 1, 2006 that mandate that no more than 1/3 of vended beverages be carbonated. Carbonated beverages are not sold where breakfast or lunch is being served or eaten. The Wellness Policy also addresses snack vending machines. Products in Snack vending machines shall provide only single serving snacks that meet at least two, with at least 50% of the items meeting three of the following: 300 or fewer calories; six grams of fat or less, one or more grams of fiber, at least 10% of RDA of calcium, iron, vitamin A or vitamin C. Contracts with Snack Vendors will be in place by June 1, 2006

*Responsible Parties:*  
 Byron Williams, Director

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**MANAGEMENT RESPONSE (CONTINUED)**


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Mr. William O. Monroe, CPA  
 March 13, 2006  
 Page 3 of 7

Purchasing/  
 Tim Tankersley, Director  
 Nutrition Services

Federal Awards Finding No. 3  
 Federal Agency: United States Department of Agriculture and  
 United States Department of Education  
 Pass-Through Entity: Florida Department of Education  
 Program: Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553), National  
 School Lunch Program (CFDA No. 10.555), and Summer Food Service Program for  
 Children (CFDA No. 10.559)]; Special Education Cluster [Special Education – Grants to  
 States (CFDA No. 84.027) and Special Education –Preschool Grants (CFDA No. 84.173);  
 and Twenty-first Century Community Learning Centers (CFDA No. 84.287)  
 Finding Type: Reportable Condition and Noncompliance  
 Questioned Costs: Not applicable

The district assures that vendors and sub recipients have been carefully screened and are not suspended or debarred or otherwise excluded from receiving Federal funds. The Office of 21<sup>st</sup> Century Community Learning Centers works collaboratively with Mr. Byron Williams, Purchasing Department, Leon County Schools, to ensure that established procedures are followed relating to contracting with applicable vendors. Mr. Williams has procedures for systematically monitoring vendors.

Procedures have been placed into effect to ensure periodic monitoring of the State Convicted/Suspended/Discriminatory Vendor List. The list will be checked a minimum of twice a year to ensure Leon County School Board Active Vendors are not on the list. Also, all future Bids/RFPs will include language to ensure identification of Suspended and Debarred Vendors.

*Responsible Parties:*  
 Byron Williams, Director  
 Purchasing/  
 Phyllis Porter, Coordinator  
 Title I Programs

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**MANAGEMENT RESPONSE (CONTINUED)**


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Mr. William O. Monroe, CPA  
 March 13, 2006  
 Page 4 of 7

Federal Awards Finding No. 4 Federal Agency: United States Department of Education Pass-Through Entity: Florida Department of Education Program: Title I Grants to Local Educational Agencies (CFDA No. 84. 010) Finding Type: Reportable Condition and Noncompliance Questioned Costs: Not Applicable
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The district will continue to follow the guidelines as stipulated in the Education Department General Administrative Regulations (EDGAR), 80.32 (c) (1) (2) and its internal property management procedures. Equipment located at the two high schools mentioned in the report has been offered to other federally supported programs. The district assures that appropriate procedures are in place and adhered to relating to the purchase of and utilization of equipment paid with federal funds. A letter was sent to both high schools reaffirming the use of Title I equipment. The Title I Coordinator contacted Rickards High School immediately following the audit concerning the removal of Title I equipment not being used and equipment not needed 100% of the time by other federally supported programs.

*Responsible party:*  
 Phyllis Porter, Coordinator  
 Title I Programs

Federal Awards Finding No. 5 Federal Agency: United States Department of Education Pass-Through Entity: Florida Department of Education Program: Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education-Preschool Grants (CFDA No. 84.173)]; Twenty-First Century Community Learning Centers (CFDA No. 84.287); and Education Technology State Grants (CFDA No. 84.318) Finding Type: Noncompliance Questioned Costs: Not Applicable
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The district has corrected the oversight and ensures that appropriate documentation to support salaries charged to federal programs is maintained for employees working on single and multiple cost objectives. Forms were revised in October, 2005 to denote 21<sup>st</sup> Century employees. A memorandum with attached form(s) will be sent to employees two weeks (2) prior to the month due. All necessary forms will be due one week after the month they are completed. If not received, appropriate personnel will follow-up with phone calls or make a school visit to collect forms.

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**MANAGEMENT RESPONSE (CONTINUED)**


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Effective February 2006, the district implemented steps to ensure that documentation to support salaries charged to Federal programs is maintained for employees working on both single and multiple cost objectives immediately to address the concerns mentioned in the audit report. The grant director will oversee these processes.

*Responsible Parties:*

Phyllis Porter, Coordinator  
 Title I Programs/  
 Adriane Peters, Coordinator  
 Instructional Technology

Federal Awards Finding No. 6  
 Federal Agency: United States Department of Education  
 Pass-Through Entity: Florida Department of Education  
 Program: Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education-Preschool Grants (CFDA No. 84.173)]; Twenty-First Century Community Learning Centers (CFDA No. 84.287)  
 Finding Type: Noncompliance  
 Questioned Costs: Not Applicable

The district's Purchasing Department and the 21<sup>st</sup> Century Community Learning Office maintain appropriate administrative procedures and ensure that expenditures paid with federal funds are made pursuant to contracts which include the required contractual provisions. Stated in the contract under Section #4 is the period of time covered by the contract. Also, under Section #2, Representation and Warranties, stated are the services required hereunder in accordance with federal, state, and local laws, rules, regulations and all the policies and procedures of the Leon County School Board.

Language will be included in all Bids/RFPs and Professional/Technical Services Agreements ensuring compliance with Title 34, Section 80.36(i), Code of Federal Regulations regarding Retention of Records and Access to Records effective March 15, 2006.

*Responsible Parties:*

Byron Williams, Director  
 Purchasing/  
 Phyllis Porter, Coordinator  
 Title I Programs

**MANAGEMENT RESPONSE (CONTINUED)**

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Federal Awards Finding No. 7  
Federal Agency: United States Department of Education  
Pass-Through Entity: Florida Department of Education  
Program: Education Technology State Grants (CFDA No. 84.318)  
Finding Type: Noncompliance  
Questioned Costs: Not Applicable

Effective February 2006, the district will implement steps to ensure that expenditures to be charged to Federal grant programs are reviewed and approved by a District employee knowledgeable of grant terms and restriction immediately to address the concerns mentioned in the audit report.

Responsible Party:  
Adrian Peters/Coordinator  
Instructional Technology

Federal Awards Finding No. 8  
Federal Agency: United States Department of Education  
Pass-Through Entity: Florida Department of Education  
Program: Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education-Preschool Grants (CFDA No. 84.173)] and Education Technology State Grants (CFDA No. 84.318)  
Finding Type: Noncompliance  
Questioned Costs: Not Applicable

Annually, the Purchasing and/or Technology & Information Services Department will acquire School Board approval with regard to District Technology Standard Purchases for Computers, Printers, E-mail messaging and Collaboration services. The District will continue to periodically survey the market to ensure government funds are spent appropriately.

*Responsible Parties:*  
Byron Williams, Director  
Purchasing/  
Adriane Peters, Coordinator  
Instructional Technology

**MANAGEMENT RESPONSE (CONTINUED)**

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Federal Awards Finding No. 9  
Federal Agency: United States Department of Education  
Pass-Through Entity: Florida Department of Education  
Program: Education Technology State Grants (CFDA No. 84.318)  
Finding Type: Noncompliance  
Questioned Costs: Not Applicable

Effective March 2006, the district will be implementing steps to ensure timely and meaningful consultation with private school officials regarding the participation in Federal grant programs and maintain documentation of such consultation immediately to address the concerns mentioned in the audit report.

*Responsible Party:*  
Adriane Peters, Coordinator  
Instructional Technology