

**LEON COUNTY
DISTRICT SCHOOL BOARD**

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2008



BOARD MEMBERS AND SUPERINTENDENT

Leon County District School Board members and the Superintendent who served during the 2007-08 fiscal year are listed below:

	<i>District No.</i>
<i>Sheila M. Costigan</i>	<i>1</i>
<i>Dee Crumpler , Vice-Chair to 11-19-07, Chair from 11-20-07</i>	<i>2</i>
<i>Maggie B. Lewis-Butler, Chair to 11-19-07</i>	<i>3</i>
<i>Herbert Fred Varn to 6-03-08 (1)</i>	<i>4</i>
<i>Georgia "Joy" Bowen, Vice-Chair from 11-20-07</i>	<i>5</i>

Jackie Pons, Superintendent

(1) Board member resigned, and this position remained vacant through the end of the fiscal year.

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

The audit team leader was Karen L. Revell. For the information technology portion of this audit, the audit team leader was Deidre N. Melton and the supervisor was Nancy M. Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/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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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*; however, we noted certain additional matters as summarized below.

SIGNIFICANT DEFICIENCY

Finding No. 1: Improvements are needed in procedures to properly report certain account balances on the financial statements.

ADDITIONAL MATTERS

Finding No. 2: Control procedures over Extended Day Enrichment Program fee collections could be strengthened.

Finding No. 3: The District used capital outlay millage levy proceeds, totaling \$160,539.56, for the purchase of computer software items which were not specifically provided for in Section 1011.71, Florida Statutes.

Finding No. 4: The District did not conduct a review and evaluation of the reasons for collection of social security numbers (SSNs), provide a written statement to individuals stating the purpose for collection of the numbers, or certify compliance with the new SSN requirements to the Legislature, contrary to Section 119.071(5)(a), Florida Statutes.

Finding No. 5: Improvements are needed in controls over the reporting of instructional contact hours for adult general education to the Florida Department of Education.

Finding No. 6: Total Educational Resource Management System security activity, such as modifications to user access privileges, was not systematically logged by the District, limiting the ability to monitor the appropriateness of security administration actions.

Finding No. 7: The separation of duties within the Technology and Information Services area needed improvement with regard to production library access privileges.

Finding No. 8: The District's network security controls needed improvement.

Finding No. 9: District controls over the removal of access privileges of former employees needed improvement.

Finding No. 10: The District's storage of back-up tapes needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster was audited as a major Federal program. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal program tested. However, we did note a compliance and internal control finding that is summarized below.

Federal Awards Finding No. 1: Required documentation to support salary and benefit charges for two employees in the Special Education program was not maintained, contrary to Federal regulations. Also, the District could strengthen monitoring procedures over purchased services.

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2008. We obtained an understanding of the District's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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*.



David W. Martin, CPA
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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, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. 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 school internal funds, which represent 9 percent of the assets and 29 percent of the liabilities of the aggregate remaining fund information. Additionally, 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 furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based 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., 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 report 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 for the Leon County District School Board as of June 30, 2008, and the respective

changes in financial position and cash flows, where applicable, thereof for the 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, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 3 through 14) and the other required supplementary information (shown as Exhibits - M and N) 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 on it.

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 *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,



David W. Martin, CPA
March 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Leon County District School Board (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the 2007-08 fiscal year by \$255.8 million. This amount includes \$274.8 million, comprised of invested in capital assets net of related debt and various restricted net assets, that is not available to meet the District's ongoing obligations to citizens and creditors, resulting in a deficit unrestricted net assets of \$19 million.
- The unrestricted net asset amount of negative \$19 million on the statement of net assets represents the excess of current and long-term future financial liabilities over current financial resources. The deficit was mainly attributable to the District's long-term liabilities for employee compensated absences and postemployment healthcare benefits.
- Total revenues of \$369 million were comprised of general revenues in the amount of \$329.8 million, or 89.4 percent, and program specific revenues from charges for services and grants and contributions in the amount of \$39.2 million or 10.6 percent.
- For the year ended June 30, 2008, the District had \$347.9 million in expenses related to governmental activities, \$39.2 million of which were offset by program specific charges or services and grants and contributions. General revenues (primarily taxes and State funding programs) of \$329.8 million were sufficient to provide for the District's programs.
- As of the close of the 2007-08 fiscal year, the District's governmental funds report combined ending fund balances of \$118.7 million, a decrease of \$45.2 million in comparison with the 2006-07 fiscal year. Approximately 50.6 percent of this total amount, \$60.1 million, is available for spending at the District's discretion for the purposes defined for each governmental fund (unreserved fund balance).
- Based on General Fund expenditures for the 2007-08 fiscal year of \$260.9 million, the operating cost per day, assuming 260 days, was \$1.0 million as compared to \$955.6 thousand in the 2006-07 fiscal year.
- At the end of the 2007-08 fiscal year, the unreserved, undesignated fund balance for the General Fund is \$16 million, or 6.1 percent of total General Fund expenditures, and 5.6 percent of the final General Fund budgeted expenditures. Within the unreserved amount is approximately \$6.4 million designated for Board-approved programs, such as Board proceeds from athletic events, which are not legally restricted expenditures for purpose of the financial statements, but are internally restricted for budgetary purposes.

Therefore, in terms of the budget, \$22.4 million is unreserved, which represents 22.4 days of operating expenditures for the 2007-08 fiscal year as compared to 17.4 days for the 2006-07 fiscal year.

- The District's total long-term debt for bonds and certificates of participation decreased by \$11.8 million, or 7.1 percent during the 2007-08 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements contain 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 statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

The government-wide financial statements include not only the District itself (known as the primary government), but also the Leon County Schools' Foundation, Inc., and the combined activities of the four legally separate charter schools for which the District is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The Leon County District School Board Voluntary Employee Benefits Trust (Trust) and the Leon School Board Leasing Corporation

(Corporation), although also legally separate entities, were formed to administer the District's group health and life insurance program and facilitate financing for the acquisition of facilities and equipment, respectively. Due to the substantive economic relationships between the District and the Trust, and between the District and the Corporation, their financial activities have been included as an integral part of the primary government.

The government-wide financial statements can be found on Exhibits A and B of the basic financial statements.

Fund Financial Statements

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

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

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

The governmental funds balance sheet and the governmental 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, 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. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on Exhibits - C and E of the basic financial statements.

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 presented as business-type activities in the government-wide financial statements, only in more detail. The District uses the enterprise funds 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 private-purpose trust funds to account for scholarship funds established by private donors.

The District uses an employee benefits trust fund to account for the financial resources of the Leon County District School Board Voluntary Employee Benefits Trust.

The District uses agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found in Exhibit - L of the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$255.8 million at the close of the 2007-08 fiscal year. Net assets are segregated into capital assets, net of related debt, restricted net assets and unrestricted net assets. Capital assets (e.g., land, buildings, and equipment) are stated at their cost at the time of acquisition, net of accumulated depreciation. The District uses these capital assets to provide educational and related services to its students; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. 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 meet the District's ongoing obligations to citizens and creditors. The deficit in unrestricted net assets is primarily due to three factors:

- The District has never budgeted the amount needed to fully finance liabilities arising from property and casualty claims. The District is self-insured for these claims up to specific limits.
- The District has never had the resources currently available that are needed for budgeting for the payment of unused employee vacation and sick days.
- The implementation of GASB 45, which was required by June 30, 2008, requires the District to disclose a liability which represents its obligation for postemployment benefits for retirees. This is an implied amount, and there currently is no available budget to fund the liability.

The intent of the statement of net assets is to provide a long-term outlook for the financial position of the District. The unrestricted net assets' deficit of \$19 million reflects the long-term requirement to pay for obligations that become due in future years. For example, compensated absences total \$32.4 million, of which an estimated \$3.2 million will be due and payable in the 2008-09 fiscal year. Resources will be available to fund the current portion due in one year; however, the remaining \$29.2 million 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.

The following is a summary of the District's net assets as of June 30, 2008, compared to net assets as of June 30, 2007:

	Net Assets, End of Year					
	Governmental Activities		Business-Type Activities		Total	
	6-30-08	6-30-07	6-30-08	6-30-07	6-30-08	6-30-07
Current and Other Assets	\$ 154,475,471.17	\$ 196,029,755.00	\$ 36,799.59	\$ 74,317.00	\$ 154,512,270.76	\$ 196,104,072.00
Capital Assets	331,383,493.55	273,676,916.00			331,383,493.55	273,676,916.00
Total Assets	485,858,964.72	469,706,671.00	36,799.59	74,317.00	485,895,764.31	469,780,988.00
Long-Term Liabilities	197,427,345.00	207,382,830.00			197,427,345.00	207,382,830.00
Other Liabilities	32,612,132.25	27,511,194.00	5,385.55	4,973.00	32,617,517.80	27,516,167.00
Total Liabilities	230,039,477.25	234,894,024.00	5,385.55	4,973.00	230,044,862.80	234,898,997.00
Net Assets:						
Invested in Capital Assets -						
Net of Related Debt	203,146,625.93	108,544,806.00			203,146,625.93	108,544,806.00
Restricted	71,712,902.72	148,273,044.00		69,344.00	71,712,902.72	148,342,388.00
Unrestricted (Deficit)	(19,040,041.18)	(22,005,203.00)	31,414.04		(19,008,627.14)	(22,005,203.00)
Total Net Assets	\$ 255,819,487.47	\$ 234,812,647.00	\$ 31,414.04	\$ 69,344.00	\$ 255,850,901.51	\$ 234,881,991.00

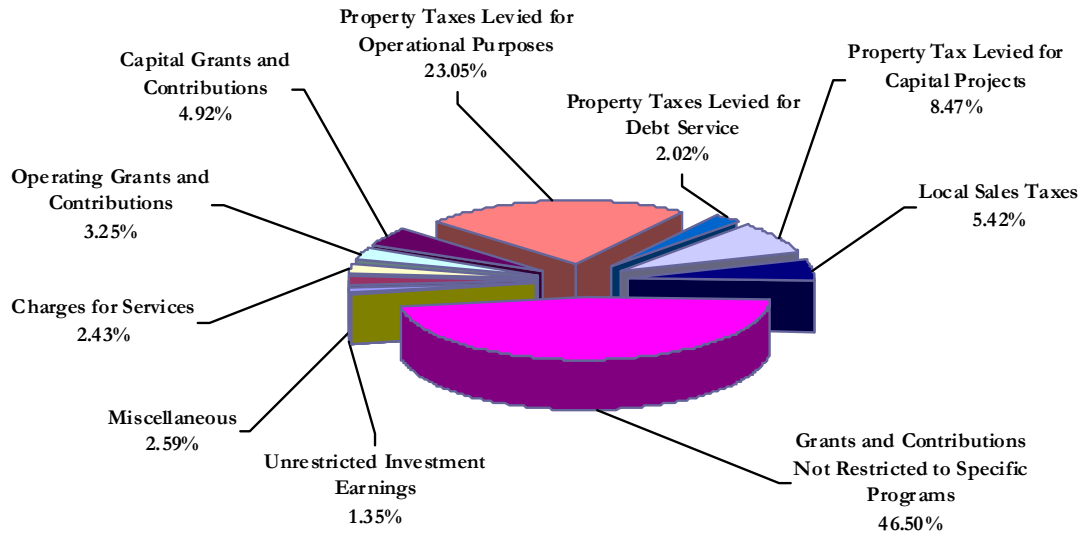
The District's net assets increased in total by \$21.0 million during the 2007-08 fiscal year, primarily as a result of capital asset additions from expenditures for renovation and remodeling buildings and for construction of new facilities. See "Capital Assets and Long-Term Debt" for additional discussion.

The key elements of the changes in the District’s net assets for the fiscal years ended June 30, 2008, and June 30, 2007, are as follows:

	Operating Results for the Year					
	Governmental Activities		Business-Type Activities		Total	
	6-30-08	6-30-07	6-30-08	6-30-07	6-30-08	6-30-07
Program Revenues:						
Charges for Services	\$ 8,966,614.95	\$ 8,758,625.00	\$ 36,741.80	\$	\$ 9,003,356.75	\$ 8,758,625.00
Operating Grants and Contributions	12,008,078.64	12,433,634.00			12,008,078.64	12,433,634.00
Capital Grants and Contributions	18,165,056.22	17,889,437.00			18,165,056.22	17,889,437.00
General Revenues:						
Property Taxes, Levied for Operational Purposes	85,043,672.01	83,438,307.00			85,043,672.01	83,438,307.00
Property Taxes, Levied for Debt Service	7,450,318.92	7,552,909.00			7,450,318.92	7,552,909.00
Property Taxes, Levied for Capital Projects	31,236,930.03	28,188,537.00			31,236,930.03	28,188,537.00
Local Sales Taxes	20,000,000.00	19,200,000.00			20,000,000.00	19,200,000.00
Grants and Contributions Not Restricted to Specific Programs	171,575,895.32	166,300,064.00			171,575,895.32	166,300,064.00
Unrestricted Investment Earnings	4,963,220.95	9,050,684.00	1,501.69	2,826.00	4,964,722.64	9,053,510.00
Miscellaneous	9,522,545.76	7,966,866.00			9,522,545.76	7,966,866.00
Special Item		59,775.00				59,775.00
Total Revenues	368,932,332.80	360,838,838.00	38,243.49	2,826.00	368,970,576.29	360,841,664.00
Functions/Program Expenses:						
Instruction	163,018,569.52	152,978,567.00			163,018,569.52	152,978,567.00
Pupil Personnel Services	13,438,693.29	12,741,871.00			13,438,693.29	12,741,871.00
Instructional Media Services	4,552,135.10	4,434,029.00			4,552,135.10	4,434,029.00
Instruction and Curriculum Development Services	17,893,809.89	16,756,660.00			17,893,809.89	16,756,660.00
Instructional Staff Training Services	2,443,057.51	2,840,613.00			2,443,057.51	2,840,613.00
Instruction Related Technology	2,725,242.37	2,394,043.00			2,725,242.37	2,394,043.00
Board of Education	947,008.14	1,002,323.00			947,008.14	1,002,323.00
General Administration	2,448,374.20	2,648,269.00			2,448,374.20	2,648,269.00
School Administration	16,450,643.49	14,834,235.00			16,450,643.49	14,834,235.00
Facilities Acquisition and Construction	32,196,674.14	37,858,024.00			32,196,674.14	37,858,024.00
Fiscal Services	2,164,049.16	2,010,754.00			2,164,049.16	2,010,754.00
Food Services	10,331,523.14	9,378,627.00			10,331,523.14	9,378,627.00
Central Services	7,240,227.00	6,655,226.00			7,240,227.00	6,655,226.00
Pupil Transportation Services	11,569,641.85	10,289,851.00			11,569,641.85	10,289,851.00
Operation of Plant	20,084,531.56	19,471,955.00			20,084,531.56	19,471,955.00
Maintenance of Plant	8,579,259.59	8,212,008.00			8,579,259.59	8,212,008.00
Administrative Technology Services	4,925,873.71	4,437,543.00			4,925,873.71	4,437,543.00
Community Services	4,883,514.96	4,385,544.00			4,883,514.96	4,385,544.00
Interest on Long-Term Debt	6,169,247.43	5,971,942.00			6,169,247.43	5,971,942.00
Unallocated Depreciation Expense	15,863,416.28	14,968,843.00			15,863,416.28	14,968,843.00
Gain on Disposal of Capital Assets		2,122,183.00				2,122,183.00
District Permitting Office			76,174.08	34.00	76,174.08	34.00
Total Functions/Program Expenses	347,925,492.33	336,393,110.00	76,174.08	34.00	348,001,666.41	336,393,144.00
Increase (Decrease) in Net Assets	\$ 21,006,840.47	\$ 24,445,728.00	\$ (37,930.59)	\$ 2,792.00	\$ 20,968,909.88	\$ 24,448,520.00

The following chart depicts the distribution of revenues of the District as a whole for the 2007-08 fiscal year:

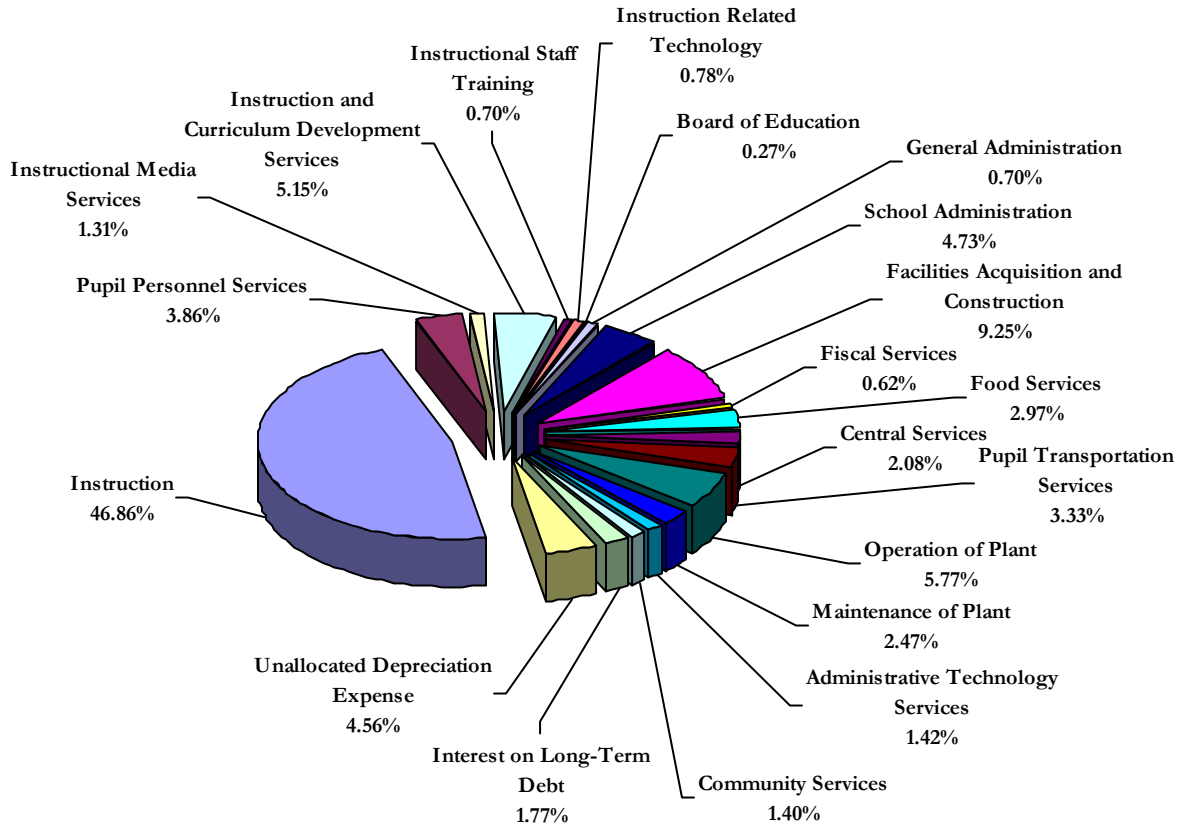
GOVERNMENTAL ACTIVITIES Revenues by Source – Statement of Activities



The most significant increase during the 2007-08 fiscal year was an approximate \$6.8 million increase in State categorical program revenues.

The following chart depicts the distribution of expenditures of the District as a whole for the 2007-08 fiscal year:

GOVERNMENTAL ACTIVITIES Expenses – Statement of Activities



The most significant increase in expenses occurred in the instruction function, where expenses increased by approximately \$10 million due mainly to board approved pay raises for District employees and an increase in the number of District staff.

BUSINESS-TYPE ACTIVITIES

Charges for services and permitting office expenses increased due to an increase in the number of projects. However, the increase in expenses outpaced the increase in charges for services, resulting in a decrease in net assets of \$37.9 thousand.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the 2007-08 fiscal year, the District's governmental funds report combined ending fund balances of \$118.7 million, a decrease of \$45.2 million in comparison with the 2006-07 fiscal year. Approximately 45.3 percent of this total amount (\$53.8 million) constitutes unreserved and undesignated fund balances, which are available for spending at the government's discretion within the purpose of each fund. The remainder of fund balances is reserved or designated to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders outstanding at year-end (\$30.1 million); 2) to fund specific State categorical programs (\$2.9 million); 3) to pay debt service (\$20.5 million); 4) for inventories (\$1.5 million); 5) to fund other restricted purposes (\$3.6 million); and 6) designated for local carryover projects (\$6.3 million).

The General Fund is the main operating fund of the District. At the end of the 2007-08 fiscal year, unreserved fund balance of the General Fund is \$22.4 million, while total fund balance ended at \$30.8 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 8.6 percent of total General Fund expenditures, while total fund balance represents 11.8 percent of that same amount. The fund balance of the District's General Fund decreased \$3.7 million during the 2007-08 fiscal year in comparison to an increase of \$1.6 million in the 2006-07 fiscal year. This (\$3.7 million) decrease was due to an initial budgeted increase in FEFP funding, which was subsequently reduced due to Statewide revenue shortfalls. This decrease in fund balance reflects an erosion of the overall financial condition of the General Fund representing 3.7 days of expenditures.

The Capital Projects – Local Capital Improvement Fund, which is used to account for capital project activity funded by the District's 2-Mill tax levy, has a total fund balance of \$21.9 million, all of which is reserved for specific capital projects. Fund balance during the 2007-08 fiscal year remained comparable with the 2006-07 fiscal year.

The Capital Projects – Other Fund, which is used to account for capital project activity funded by sources such as certificates of participation, sales taxes, and class size reduction dollars, has a total fund balance of \$39.8 million all of which is reserved for capital projects. The net decrease in fund balance during the 2007-08 fiscal year in this fund was \$43.7 million, which resulted primarily from the funding of major school construction, renovation and remodeling projects throughout the District. See "Capital Assets and Long-Term Debt" for additional discussion.

GENERAL FUND BUDGETARY HIGHLIGHTS

Many changes are made to the budget over the course of the year. Each change is approved by the Board with the purposes explained at the time of approval. A recap of the significant changes as of June 30, 2008, is listed below:

- The original budget for State sources of revenues in the General Fund totals \$160.9 million, and the final budget is less than that by \$3.7 million due to the initial budgeted increase in FEFP funding being subsequently reduced due to Statewide revenue shortfalls.
- The staffing plan is allocated as closely as possible to the proper function at the beginning of the fiscal 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 reflected increased budgets of \$4.2 million, \$0.4 million, and \$4.2 million, respectively, as a result of this process. Actual instructional salaries were \$13 million less than the final budgeted amount because budget amounts were determined based upon authorized positions, whether filled or vacant, using average salary amounts instead of actual salaries.
- The overall budget for revenues in the General Fund increased by \$0.4 million from the original budget to the final budget, and total budgeted expenditure appropriations increased by \$5.6 million, or 2 percent, over the course of the fiscal year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets as of June 30, 2008, amounts to \$331.4 million (net of accumulated depreciation). This investment in capital assets includes land; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; audio visual materials and computer software. The total increase in the District's investment in capital assets (net of accumulated depreciation) for the 2007-08 fiscal year was 21.1 percent.

Major capital asset events during the 2007-08 fiscal year included the following:

- Continued construction of Conley Elementary School
- Continued construction of Montford Middle School
- Ongoing improvements of Pineview Elementary School
- Ongoing improvements of Apalachee Elementary School
- Ongoing improvements of Killlearn Lakes Elementary School
- Ongoing improvements of Deerlake Middle School
- Ongoing improvements of Lincoln High School
- Ongoing improvements of Chiles High School

Additional information on the District's capital assets can be found in Notes 4 and 17 to the financial statements.

Capital Assets (net of depreciation)

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Land	\$ 14,179,137.89	\$ 14,179,138.00
Improvements Other Than Buildings	11,434,753.57	12,579,370.00
Buildings and Fixed Equipment	211,964,359.39	208,401,955.00
Furniture, Fixtures, and Equipment	13,114,144.34	12,224,352.00
Motor Vehicles	7,861,612.03	9,090,969.00
Construction in Progress	71,527,623.27	16,311,865.00
Computer Software	165,398.81	62,327.00
Audio Visual Materials	1,136,464.25	826,940.00
Total Capital Assets	\$ 331,383,493.55	\$ 273,676,916.00

Long-Term Debt

At June 30, 2008, the District has total long-term debt outstanding of \$153.3 million. Of that total, \$48.2 million is considered to be general “bonded debt” (i.e., backed by the full faith and credit of the District). The remainder of the District’s debt consisted of certificates of participation payable and State school bonds payable.

Long-Term Debt

	<u>Governmental Activities</u>	
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Revenue and General Obligation Bonds	\$ 48,228,801.62	\$ 61,827,018.00
Certificates of Participation	96,936,204.91	94,415,088.00
State School Bonds	8,175,000.00	8,890,000.00
Total Long-Term Debt	\$ 153,340,006.53	\$ 165,132,106.00

During the 2007-08 fiscal year, the District’s total long-term debt decreased by \$11.8 million (7.1 percent). The District continues to retire more debt than is incurred. New debt for the 2007-08 fiscal year consisted of \$5 million Qualified Academy Zone Bonds financed under the District’s certificates of participation master lease.

The District maintains an “AA” rating from Fitch for its general obligation bonds and an “AA-” rating from Fitch for its certificates of participation. The general obligation bond rating was an affirmation, and the certificates of participation rating was new, as of June 2006.

Additional information on the District’s long-term debt can be found in Notes 6 through 9 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

Florida continues to experience a housing market downturn. This is exacerbated by high property taxes and property liability insurance rates. There are other negative economic factors such as the end of a building boom caused by hurricane damage three years ago and a decrease in tourism because people are traveling and spending less. The State’s budget health is in serious condition.

According to the Center on Budget and Policy Priorities (Center), a nonprofit think tank which describes itself as a “policy organization...working at the Federal and state levels on fiscal policy and public programs that affect low and moderate income families and individuals,” Florida forecasted revenue would fall short of the amount needed to support current services by over \$1.8 billion for the 2008-09 fiscal year. The Center asserts that Florida faces a structural budget imbalance, which means that revenues routinely grow more slowly than the cost of providing the same level of State services. Structural deficits largely result from a state’s failure to modernize its revenue system to reflect changes in the economy, such as the growing importance of the service sector. Florida is one of several states that have done very little to change their revenue systems to reflect economy changes.

Additionally, a constitutional amendment passed in January 2008 that lowers the assessed taxable value of homeowners’ property. Along with this, the increase in the tax base of 3.7 percent for the 2008-09 fiscal year is 7.4 percentage points less than the amount of increase in the 2007-08 fiscal year, a 67 percent decrease in the rate of growth. The decrease in the growth rate of property values is yet another indication of the slow real estate market and overall economic downturn in Florida.

In November 2007, information began to surface that the State Board of Administration (SBA) Local Government Investment Pool (LGIP) had invested in commercial paper with underlying securities collateralized by subprime mortgages. A number of large SBA investors around the State withdrew large balances, which resulted in a “run” on the LGIP. On November 29, 2007, at an emergency meeting of the Cabinet, the decision was made to temporarily freeze the LGIP to any withdrawals or deposits until a consultant could be brought in to evaluate the situation and make recommendations on how to save the fund. Based on the advice of the consultant, the fund was subdivided into two funds, Fund A (86 percent) which contains “clean investments” and Fund B (14 percent) which contains those securities that have defaulted or are in danger of defaulting. On December 4, 2007, the fund was reopened to deposits and limited withdrawals from Fund A only. Subscribers to the fund were able to withdraw 15 percent of their balance or \$2 million, whichever was greater. The remaining funds on deposit with the SBA will become available as they mature and/or as liquidity in the market becomes available. The Board had approximately \$46 million on deposit with the SBA when the temporary freeze occurred. As of June 30, 2008, the balances remaining at SBA totaled \$27.7 million, of which \$23.4 million is in Fund A and \$4.3 million is in Fund B.

REQUESTS FOR INFORMATION

This report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances and to demonstrate compliance and accountability for its resources. Questions concerning 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, FL 32304-2998.

BASIC FINANCIAL STATEMENTS

EXHIBIT - A
LEON COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 80,885,415.02	\$ 18,218.39	\$ 80,903,633.41	\$ 647,541.00
Restricted Cash with Fiscal Agents	19,293,740.57		19,293,740.57	
Investments - Other	7,531,692.03	36.29	7,531,728.32	67,414.00
Accounts Receivable	1,071,841.73	245.00	1,072,086.73	100,578.00
Due from Other Agencies	15,769,280.20		15,769,280.20	41,374.00
Internal Balances		18,299.91	18,299.91	250.00
Inventories	1,528,885.28		1,528,885.28	
Prepaid Items	7,203.76		7,203.76	3,381.00
Total Current Assets	126,088,058.59	36,799.59	126,124,858.18	860,538.00
Noncurrent Assets:				
Investments in SBA Fund B Surplus Funds Trust Fund	2,027,741.67		2,027,741.67	
Restricted Investments with Fiscal Agents	24,510,879.29		24,510,879.29	
Deferred Charges	1,848,791.62		1,848,791.62	
Capital Assets:				
Nondepreciable Capital Assets	85,706,761.16		85,706,761.16	582,302.00
Depreciable Capital Assets, Net	245,676,732.39		245,676,732.39	1,181,125.00
Total Noncurrent Assets	359,770,906.13		359,770,906.13	1,763,427.00
TOTAL ASSETS	\$ 485,858,964.72	\$ 36,799.59	\$ 485,895,764.31	\$ 2,623,965.00
LIABILITIES				
Current Liabilities:				
Salaries and Benefits Payable	\$ 7,438,064.84		\$ 7,438,064.84	\$ 24,124.00
Payroll Deductions and Withholdings	5,033,162.13		5,033,162.13	
Accounts Payable	6,109,968.33	5,385.55	6,115,353.88	130,419.00
Internal Balances			18,299.91	
Construction Contracts Payable	6,406,433.84		6,406,433.84	
Construction Contracts Payable - Retainage	5,191,020.83		5,191,020.83	
Due to Other Agencies	2,307,739.59		2,307,739.59	
Deposits Payable	107,436.82		107,436.82	
Sales Tax Payable	5.96		5.96	
Deferred Revenue				125,480.00
Long-Term Liabilities -- Portion Due Within One Year:				
Notes Payable				16,439.00
Bonds Payable	14,275,000.00		14,275,000.00	
Certificates of Participation Payable	3,160,000.00		3,160,000.00	
Estimated Insurance Claims Payable	1,735,258.00		1,735,258.00	
Compensated Absences Payable	3,200,000.00		3,200,000.00	
Total Current Liabilities	54,982,390.25	5,385.55	54,987,775.80	296,462.00
Noncurrent Liabilities:				
Long-Term Liabilities -- Portion Due After One Year:				
Notes Payable				546,231.00
Bonds Payable	42,128,801.62		42,128,801.62	
Certificates of Participation Payable	93,776,204.91		93,776,204.91	
Estimated Insurance Claims Payable	5,470,919.00		5,470,919.00	
Compensated Absences Payable	29,213,257.47		29,213,257.47	
Postemployment Healthcare Benefits Payable	4,467,904.00		4,467,904.00	
Total Noncurrent Liabilities	175,057,087.00		175,057,087.00	546,231.00
Total Liabilities	230,039,477.25	5,385.55	230,044,862.80	842,693.00
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	203,146,625.93		203,146,625.93	1,286,661.00
Restricted for:				
State Categorical Programs	2,889,643.82		2,889,643.82	
Debt Service	21,741,388.68		21,741,388.68	
Capital Projects	43,468,999.69		43,468,999.69	80,189.00
Other Purposes	3,612,870.53		3,612,870.53	120,525.00
Unrestricted	(19,040,041.18)	31,414.04	(19,008,627.14)	293,897.00
Total Net Assets	255,819,487.47	31,414.04	255,850,901.51	1,781,272.00
TOTAL LIABILITIES AND NET ASSETS	\$ 485,858,964.72	\$ 36,799.59	\$ 485,895,764.31	\$ 2,623,965.00

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, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 163,018,569.52	\$ 5,369,341.38	\$	\$
Pupil Personnel Services	13,438,693.29			
Instructional Media Services	4,552,135.10			
Instruction and Curriculum Development Services	17,893,809.89			
Instructional Staff Training Services	2,443,057.51			
Instruction Related Technology	2,725,242.37			
Board of Education	947,008.14			
General Administration	2,448,374.20			
School Administration	16,450,643.49			
Facilities Acquisition and Construction	32,196,674.14			17,006,436.83
Fiscal Services	2,164,049.16			
Food Services	10,331,523.14	3,597,273.57	6,543,099.64	
Central Services	7,240,227.00			
Pupil Transportation Services	11,569,641.85		5,464,979.00	
Operation of Plant	20,084,531.56			
Maintenance of Plant	8,579,259.59			
Administrative Technology Services	4,925,873.71			
Community Services	4,883,514.96			
Interest on Long-Term Debt	6,169,247.43			1,158,619.39
Unallocated Depreciation Expense	15,863,416.28			
Total Governmental Activities	347,925,492.33	8,966,614.95	12,008,078.64	18,165,056.22
Business-Type Activities:				
District Permitting Office	76,174.08	36,741.80		
Total Primary Government	\$ 348,001,666.41	\$ 9,003,356.75	\$ 12,008,078.64	\$ 18,165,056.22
Component Units				
Leon County Schools' Foundation, Inc.	\$ 223,645.00	\$	\$	\$
Charter Schools	5,290,498.00	103,304.00	481,035.00	237,177.00
Total Component Units	\$ 5,514,143.00	\$ 103,304.00	\$ 481,035.00	\$ 237,177.00

General Revenues:

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

Total General Revenues

Change in Net Assets

Net Assets - July 1, 2007

Net Assets - June 30, 2008

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

EXHIBIT - B

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-Type Activities	Total	
\$ (157,649,228.14)	\$	\$ (157,649,228.14)	\$
(13,438,693.29)		(13,438,693.29)	
(4,552,135.10)		(4,552,135.10)	
(17,893,809.89)		(17,893,809.89)	
(2,443,057.51)		(2,443,057.51)	
(2,725,242.37)		(2,725,242.37)	
(947,008.14)		(947,008.14)	
(2,448,374.20)		(2,448,374.20)	
(16,450,643.49)		(16,450,643.49)	
(15,190,237.31)		(15,190,237.31)	
(2,164,049.16)		(2,164,049.16)	
(191,149.93)		(191,149.93)	
(7,240,227.00)		(7,240,227.00)	
(6,104,662.85)		(6,104,662.85)	
(20,084,531.56)		(20,084,531.56)	
(8,579,259.59)		(8,579,259.59)	
(4,925,873.71)		(4,925,873.71)	
(4,883,514.96)		(4,883,514.96)	
(5,010,628.04)		(5,010,628.04)	
(15,863,416.28)		(15,863,416.28)	
<u>(308,785,742.52)</u>		<u>(308,785,742.52)</u>	
	(39,432.28)	(39,432.28)	
<u>(308,785,742.52)</u>	<u>(39,432.28)</u>	<u>(308,825,174.80)</u>	
			(223,645.00)
			<u>(4,468,982.00)</u>
			(4,692,627.00)
85,043,672.01		85,043,672.01	
7,450,318.92		7,450,318.92	
31,236,930.03		31,236,930.03	
20,000,000.00		20,000,000.00	
171,575,895.32		171,575,895.32	3,719,097.00
4,963,220.95	1,501.69	4,964,722.64	18,011.00
9,522,545.76		9,522,545.76	1,050,428.00
<u>329,792,582.99</u>	<u>1,501.69</u>	<u>329,794,084.68</u>	<u>4,787,536.00</u>
21,006,840.47	(37,930.59)	20,968,909.88	94,909.00
234,812,647.00	69,344.63	234,881,991.63	1,686,363.00
<u>\$ 255,819,487.47</u>	<u>\$ 31,414.04</u>	<u>\$ 255,850,901.51</u>	<u>\$ 1,781,272.00</u>

**EXHIBIT - C
LEON COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2008**

	General Fund	Capital Projects - Local Capital Improvement Fund
ASSETS		
Cash and Cash Equivalents	\$ 37,625,087.68	\$ 25,494,641.81
Cash with Fiscal Agents	100,000.00	
Investments - Other	3,327,746.73	100,187.41
Accounts Receivable	984,509.07	
Due from Other Funds	2,074,783.09	14,349.52
Due from Other Agencies	1,100,381.40	
Inventories	943,876.14	
Prepaid Items	7,203.76	
Investments with Fiscal Agents		
Investments in SBA Fund B Surplus Funds Trust Fund	947,382.28	
TOTAL ASSETS	\$ 47,110,970.15	\$ 25,609,178.74
LIABILITIES AND FUND BALANCES		
Liabilities:		
Salaries and Benefits Payable	\$ 6,971,123.02	\$
Payroll Deductions and Withholdings	4,566,846.42	
Accounts Payable	2,580,501.81	816,142.47
Sales Tax Payable	5.96	
Construction Contracts Payable		1,466,464.56
Construction Contracts Payable - Retainage		746,667.47
Due to Other Funds	2,211,876.88	645,147.92
Deposits Payable		
Total Liabilities	16,330,354.09	3,674,422.42
Fund Balances:		
Reserved for State Categorical Programs	2,889,643.82	
Reserved for Encumbrances	901,452.63	10,519,263.66
Reserved for Inventories	943,876.14	
Reserved for Debt Service		
Reserved for Other Purposes	3,612,870.53	
Unreserved:		
Designated, Reported in General Fund:		
Designated for Local Carryover Projects	6,388,271.22	
Undesignated, Reported in:		
General Fund	16,044,501.72	
Special Revenue Funds		
Capital Projects Funds		11,415,492.66
Total Fund Balances	30,780,616.06	21,934,756.32
TOTAL LIABILITIES AND FUND BALANCES	\$ 47,110,970.15	\$ 25,609,178.74

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

EXHIBIT - C

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$ 14,083,822.37	\$ 3,646,100.95	\$ 80,849,652.81
	19,193,740.57	19,293,740.57
3,238,356.96	865,367.36	7,531,658.46
	87,332.66	1,071,841.73
9,719,427.15	129,816.16	11,938,375.92
9,731,698.09	4,838,698.07	15,670,777.56
	585,009.14	1,528,885.28
		7,203.76
23,254,317.29		23,254,317.29
<u>1,001,025.70</u>	<u>79,333.69</u>	<u>2,027,741.67</u>
<u>\$ 61,028,647.56</u>	<u>\$ 29,425,398.60</u>	<u>\$ 163,174,195.05</u>
\$	\$ 466,941.82	\$ 7,438,064.84
	466,315.71	5,033,162.13
1,548,915.77	1,164,408.28	6,109,968.33
		5.96
4,765,233.12	174,736.16	6,406,433.84
4,444,353.36		5,191,020.83
10,472,638.97	829,104.81	14,158,768.58
	107,436.82	107,436.82
<u>21,231,141.22</u>	<u>3,208,943.60</u>	<u>44,444,861.33</u>
		2,889,643.82
15,726,401.47	2,927,646.86	30,074,764.62
	585,009.14	1,528,885.28
	20,484,826.68	20,484,826.68
		3,612,870.53
		6,388,271.22
		16,044,501.72
	155,564.86	155,564.86
24,071,104.87	2,063,407.46	37,550,004.99
<u>39,797,506.34</u>	<u>26,216,455.00</u>	<u>118,729,333.72</u>
<u>\$ 61,028,647.56</u>	<u>\$ 29,425,398.60</u>	<u>\$ 163,174,195.05</u>

**EXHIBIT - D
LEON COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total Fund Balances - Governmental Funds \$ 118,729,333.72

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. 331,383,493.55

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. 1,848,791.62

Required annual deposits with fiscal agent for future payment of debt are treated as expenditures in the fund statements, but are reported as assets on the statement of net assets. 1,256,562.00

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 fund are included in governmental activities in the statement of net assets. 28,651.58

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:

Bonds Payable	\$ 56,403,801.62	
Certificates of Participation Payable	96,936,204.91	
Estimated Insurance Claims Payable	7,206,177.00	
Compensated Absences Payable	32,413,257.47	
Postemployment Healthcare Benefits Payable	4,467,904.00	
	(197,427,345.00)	

Total Net Assets - Governmental Activities \$ 255,819,487.47

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, 2008**

	General Fund	Capital Projects - Local Capital Improvement Fund
Revenues		
Intergovernmental:		
Federal Direct	\$ 217,409.57	\$
Federal Through State and Local State	1,684,044.33 156,612,820.87	
Local:		
Taxes	85,043,672.01	31,236,930.03
Miscellaneous	10,401,751.70	1,029,837.36
Total Revenues	253,959,698.48	32,266,767.39
Expenditures		
Current - Education:		
Instruction	150,218,401.95	
Pupil Personnel Services	11,873,515.90	
Instructional Media Services	4,463,588.01	
Instruction and Curriculum Development Services	12,579,062.96	
Instructional Staff Training Services	567,395.97	
Instruction Related Technology	2,636,304.48	
Board of Education	941,488.35	
General Administration	1,607,536.84	
School Administration	16,094,665.43	
Facilities Acquisition and Construction	948,107.68	16,461,727.70
Fiscal Services	2,123,086.11	
Food Services		
Central Services	6,943,192.23	
Pupil Transportation Services	11,020,790.87	9,635.00
Operation of Plant	19,902,684.97	
Maintenance of Plant	8,486,586.10	
Administrative Technology Services	4,873,892.65	
Community Services	4,307,219.53	
Fixed Capital Outlay:		
Facilities Acquisition and Construction	12,008.40	6,210,032.56
Other Capital Outlay	1,321,486.20	
Debt Service:		
Principal		
Interest and Fiscal Charges	12,638.88	
Total Expenditures	260,933,653.51	22,681,395.26
Excess (Deficiency) of Revenues Over Expenditures	(6,973,955.03)	9,585,372.13
Other Financing Sources (Uses)		
Transfers In	3,337,177.06	
Certificates of Participation Issued		
Transfers Out	(44,026.36)	(9,704,073.34)
Total Other Financing Sources (Uses)	3,293,150.70	(9,704,073.34)
Net Change in Fund Balances	(3,680,804.33)	(118,701.21)
Fund Balances, July 1, 2007	34,461,420.39	22,053,457.53
Fund Balances, June 30, 2008	\$ 30,780,616.06	\$ 21,934,756.32

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

EXHIBIT - E

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
\$	\$ 880,294.11	\$ 1,097,703.68
	27,722,296.83	29,406,341.16
9,689,357.00	8,838,607.78	175,140,785.65
20,000,000.00	7,450,318.92	143,730,920.96
4,358,925.00	3,764,851.80	19,555,365.86
<u>34,048,282.00</u>	<u>48,656,369.44</u>	<u>368,931,117.31</u>
	10,622,895.06	160,841,297.01
	1,381,147.72	13,254,663.62
	4,395.64	4,467,983.65
	5,058,427.99	17,637,490.95
	1,856,254.21	2,423,650.18
	50,272.35	2,686,576.83
		941,488.35
	822,611.46	2,430,148.30
	108,508.70	16,203,174.13
8,173,155.45	5,020,328.79	30,603,319.62
		2,123,086.11
	10,265,466.03	10,265,466.03
	211,841.94	7,155,034.17
	419,006.70	11,449,432.57
	60,348.47	19,963,033.44
	1,888.88	8,488,474.98
		4,873,892.65
	545,603.50	4,852,823.03
66,306,405.25	83,727.95	72,612,174.16
11,648.00	1,208,921.09	2,542,055.29
	16,528,854.00	16,528,854.00
	6,754,541.14	6,767,180.02
<u>74,491,208.70</u>	<u>61,005,041.62</u>	<u>419,111,299.09</u>
<u>(40,442,926.70)</u>	<u>(12,348,672.18)</u>	<u>(50,180,181.78)</u>
4,948,750.00	15,090,606.56	23,376,533.62
	5,000,000.00	5,000,000.00
<u>(8,209,745.07)</u>	<u>(5,418,688.85)</u>	<u>(23,376,533.62)</u>
<u>(3,260,995.07)</u>	<u>14,671,917.71</u>	<u>5,000,000.00</u>
(43,703,921.77)	2,323,245.53	(45,180,181.78)
83,501,428.11	23,893,209.47	163,909,515.50
<u>\$ 39,797,506.34</u>	<u>\$ 26,216,455.00</u>	<u>\$ 118,729,333.72</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, 2008**

Net Change in Fund Balances - Governmental Funds \$ (45,180,181.78)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.	57,706,580.25
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds in the current period.	11,110,000.00
Governmental funds statements report the effects of issuance costs, premiums, and similar items in the year the debt is issued, but these amounts are deferred and amortized over the life of the debt in the government-wide statements.	597,928.87
Required annual deposits with fiscal agent for future payment of debt are treated as expenditures in the fund statements, but are reported as assets on the statement of net assets.	418,854.00
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 used in excess of the amount earned in the current period.	539,344.53
The net change in the liability for postemployment healthcare benefits payable is reported in the government-wide statements, but not the governmental funds statements.	(4,467,904.00)
The net change in the liability for estimated insurance claims is reported in the government-wide statements, but not the governmental funds statements.	300,875.00
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net expense of the internal service fund is reported with governmental activities in the government-wide statements.	<u>(18,656.40)</u>
Change in Net Assets - Governmental Activities	<u><u>\$ 21,006,840.47</u></u>

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, 2008

	Business-Type Activities - Nonmajor Enterprise Fund District Permitting Office	Governmental Activities Internal Service Fund
ASSETS		
Current Assets:		
Cash	\$ 18,218.39	\$ 35,762.21
Investments	36.29	33.57
Accounts Receivable	245.00	
Due from Other Funds	18,912.00	
TOTAL ASSETS	\$ 37,411.68	\$ 35,795.78
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 5,385.55	\$ 7,144.20
Due to Other Funds	612.09	7,144.20
Total Liabilities	5,997.64	7,144.20
NET ASSETS		
Unrestricted	31,414.04	28,651.58
TOTAL LIABILITIES AND NET ASSETS	\$ 37,411.68	\$ 35,795.78

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, 2008**

	Business-Type Activities - Nonmajor Enterprise Fund District Permitting Office	Governmental Activities Internal Service Fund
OPERATING REVENUES		
Charges for Services	\$ 36,741.80	\$
Other Operating Revenues		3,600.00
Total Operating Revenues	36,741.80	3,600.00
OPERATING EXPENSES		
Purchased Services	66,922.32	23,475.60
Materials and Supplies	1,692.76	
Capital Outlay	5,814.00	
Other Expenses	1,745.00	
Total Operating Expenses	76,174.08	23,475.60
Operating Loss	(39,432.28)	(19,875.60)
NONOPERATING REVENUES		
Interest	1,501.69	1,219.20
Change in Net Assets	(37,930.59)	(18,656.40)
Total Net Assets, July 1, 2007	69,344.63	47,307.98
Total Net Assets, June 30, 2008	\$ 31,414.04	\$ 28,651.58

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, 2008**

	Business-Type Activities - Nonmajor Enterprise Fund District Permitting Office	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Charges for Services	\$ 46,454.54	\$ 14,475.60
Cash Payments to Suppliers for Goods and Services	(75,149.16)	(21,650.40)
Net Cash Used by Operating Activities	(28,694.62)	(7,174.80)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	45,406.62	41,717.81
Interest Income	1,501.69	1,219.20
Net Cash Provided by Investing Activities	46,908.31	42,937.01
Net Increase in Cash	18,213.69	35,762.21
Cash, Beginning	4.70	
Cash, Ending	\$ 18,218.39	\$ 35,762.21

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:

Operating Loss	\$ (39,432.28)	\$ (19,875.60)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation		
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(245.00)	10,875.60
Decrease in Due from Other Funds	9,957.74	
Increase in Accounts Payable	753.46	1,825.20
Increase in Due to Other Funds	271.46	
Total Adjustments	10,737.66	12,700.80
Net Cash Used by Operating Activities	\$ (28,694.62)	\$ (7,174.80)

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, 2008**

	<u>Other Employee Benefits Trust Fund</u>	<u>Private-Purpose Trust Fund</u>	<u>Agency Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 6,554,004.82	\$ 55,958.48	\$ 3,899,123.62
Investments	2.22	37.21	
Accounts Receivable, Net	22,931.12		
Due from Other Funds	2,307,739.59		
Investments in SBA Fund B Surplus Funds Trust Fund	47,546.57		
TOTAL ASSETS	<u>\$ 8,932,224.32</u>	<u>\$ 55,995.69</u>	<u>\$ 3,899,123.62</u>
LIABILITIES			
Salaries and Benefits Payable	\$ 548,492.83	\$	\$
Payroll Deductions and Withholdings	5,602,788.48		
Due to Other Funds			98,502.64
Internal Accounts Payable			3,800,620.98
Total Liabilities	<u>6,151,281.31</u>		<u>\$ 3,899,123.62</u>
NET ASSETS			
Assets Held in Trust for Employee Benefits	2,780,943.01		
Assets Held in Trust for Scholarships		55,995.69	
Total Net Assets	<u>2,780,943.01</u>	<u>55,995.69</u>	
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,932,224.32</u>	<u>\$ 55,995.69</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, 2008

	Other Employee Benefits Trust Fund	Private-Purpose Trust Fund
	<u> </u>	<u> </u>
ADDITIONS		
Contributions:		
Employer	\$ 15,515,225.27	\$
Plan Members	9,833,293.57	
	<u>25,348,518.84</u>	<u> </u>
Total Contributions	<u>25,348,518.84</u>	<u> </u>
Investment Earnings:		
Interest	81,802.18	1,234.56
	<u>81,802.18</u>	<u>1,234.56</u>
Total Additions	<u>25,430,321.02</u>	<u>1,234.56</u>
DEDUCTIONS		
Payments to Providers	24,080,891.90	
Reimbursement Account Claims	1,677,419.10	
Purchased Services	5,928.56	
	<u>25,764,239.56</u>	<u> </u>
Total Deductions	<u>25,764,239.56</u>	<u> </u>
Change in Net Assets	(333,918.54)	1,234.56
Net Assets, July 1, 2007	<u>3,114,861.55</u>	<u>54,761.13</u>
Net Assets, June 30, 2008	<u>\$ 2,780,943.01</u>	<u>\$ 55,995.69</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, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

➤ **Reporting Entity**

The Leon County 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 School Board Leasing Corporation (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.; The School of Arts and Sciences Foundation, Inc.; Life Skills Center Leon County, Inc.; and Stars Education Services, 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,

EXHIBIT – L
LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008

Florida Statutes, to provide charitable and educational aid to the School Board; to promote education; and to encourage research, learning, and dissemination of information. The Foundation is considered a component unit of the District because of the nature and significance of its relationship with the District. An audit of the Foundation for the fiscal year ended June 30, 2008, 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, The School of Arts and Sciences Foundation, Inc., Life Skills Center Leon County, Inc., and Stars Educational Services, 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 Statutes. Each Charter School operates under a charter approved by its sponsor, the Leon County District School Board. A portion of the 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. The charter schools are considered component units because they are fiscally dependent on the District to levy property taxes for their support. Audits of the Charter Schools for the fiscal year ended June 30, 2008, 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.

EXHIBIT – L
LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008

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.
- 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 renovation and remodeling projects.
- Capital Projects – Other Fund – to account for the financial resources generated by various sources, such as Certificates of Participation, local sales tax, Classrooms for Kids, and Class Size Reduction Construction, 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 interest earnings of which are used for scholarships to students at Lively Technical Center.
- Agency Funds – to account for resources of the school internal funds which are used to administer moneys collected at 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 fund 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

EXHIBIT – L
LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008

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 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 the 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, except for cash with fiscal agents, are insured by Federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. Cash with fiscal agents is uncollateralized but held in a trust capacity both under paying agent agreements for payment of maturing debt principal and interest and under trust agreements.

The District's banking services agreement in place during the 2007-08 fiscal year permits balances in the District's payroll bank account to be swept daily into the Dreyfus Cash Management Fund.

EXHIBIT – L
LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008

This money market mutual fund invests in high quality, short-term money market instruments. The Fund is rated AAAM by Standard & Poor's. At June 30, 2008, \$816,503.27 of the District's reported cash balance was invested overnight in the money market mutual fund. The District relies on its bank to manage the credit risks associated with this arrangement.

The statement of cash flows considers cash as those accounts used as demand deposit accounts.

Investments consist of amounts placed in State Board of Administration Debt Service accounts for investment of debt service moneys, amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund and the Fund B Surplus Funds Trust Fund investment pools created by Sections 218.405 and 218.417, Florida Statutes, and those made locally. On December 4, 2007, the State Board of Administration restructured the Local Government Surplus Funds Trust Fund to also establish the Fund B Surplus Funds Trust Fund. This was a result of investments that had been made in subprime mortgage instruments. The Local Government Surplus Funds Trust Fund remains as the ongoing fund for participants comprised of top-tier money market assets. The State Board of Administration Fund B Surplus Funds Trust Fund contains securities whereby the payout timing and amount is less certain.

The District's investments in the Local Government Surplus Funds Trust Fund, which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2008, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The District's investments in the Fund B Surplus Funds Trust Fund are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.923331 at June 30, 2008. Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the State Board of Administration, are effected by transferring eligible cash or securities to the Local Government Surplus Funds Trust Fund, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within the Local Government Surplus Funds Trust Fund.

Investments made locally consist of money market mutual funds and investments in U.S. Treasury Securities which are reported at fair value.

Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments.

➤ **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
LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008**

➤ **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 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>Asset Class</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. Bonds payable and certificates of participation payable are reported net of applicable premiums and discounts. Bond and certificates of participation premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while premiums and discounts on debt issuances are reported as other financing sources and uses, respectively. 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

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financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued in June 2004, addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits, collectively referred to as other postemployment benefits (OPEB). The statement generally requires that state and local governmental employers account for and report the annual cost of OPEB, and the outstanding obligations and commitments related to OPEB, in essentially the same manner as they do for pensions. This statement is effective for the Leon County School Board for the 2007-08 fiscal year.

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 allocations under the lottery-funded Public School Capital Outlay Programs, commonly called the Classrooms for Kids and Class Size Reduction Construction Programs. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

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.

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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 2007 tax levy on September 11, 2007. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

➤ **School Capital Outlay Surtax**

The citizens of Leon County, on November 5, 2002, approved a 0.5 percent school capital outlay sales surtax authorized under Section 212.055(6), Florida Statutes, for a period of ten years, beginning January 1, 2003. The surtax proceeds are to be used to finance educational facilities, including construction, reconstruction, renovation, remodeling, land acquisition and improvement, retrofitting, and the purchase of technology equipment, hardware and software for the Leon County School District.

➤ **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

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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

As of June 30, 2008, the District has the following investments and maturities:

Investment	Maturities	Value
State Board of Administration:		
Local Government Surplus Funds Trust		
Fund Investment Pool (1)	20.22 Day Average	\$ 23,391,810.97
Fund B Surplus Funds Trust Fund (2)	9.22 Year Average	4,257,389.19
Debt Service Accounts	6 Months	233,734.47
Fidelity Institutional Money Market		
Government Portfolio (3)	56 Day Average	4,978,438.65
United States Treasury Securities (4)	July 2004 - April 2028	1,256,562.00
		<u>\$ 34,117,935.28</u>
Total Investments		<u>\$ 34,117,935.28</u>

- Notes: (1) A portion of these funds (\$16,093,777.69) are held under a trust agreement in connection with the Series 2006-QZAB Certificates of Participation. (See Note 6.) Also, at June 30, 2008, certain significant withdrawals from the Local Government Surplus Funds Trust Fund Investment Pool may be subject to a 2 percent redemption fee from the State Board of Administration.
- (2) A portion of these funds (\$2,182,100.95) are held under a trust agreement in connection with the Series 2006-QZAB Certificates of Participation. (See Note 6.)
- (3) The money market mutual fund invests primarily in U.S. government securities and repurchase agreements for those securities. This investment is held under a trust agreement in connection with the Series 2008-QZAB Certificates of Participation. (See Note 6.)
- (4) This investment is held under a trust agreement in connection with the sinking fund requirement related to the Series 2004-QZAB Certificates of Participation. (See Note 6.)

Interest Rate Risk

- In accordance with its investment policy, the District manages its exposure to declines in fair value by limiting the weighted average maturity of its investments to less than six months. The State Board of Administration Fund B Surplus Funds Trust Fund and the United States Treasury Securities held in trust for the future retirement of the Series 2004-QZAB Certificates of Participation, are exceptions to this policy.
- The maturity of the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool and the Fidelity Institutional Money Market Government Portfolio is based on the weighted average days to maturity (WAM). A portfolio's WAM reflects the average maturity in

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days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The maturity of the State Board of Administration Local Government Fund B Surplus Funds Trust Fund is based on the weighted average life (WAL). A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates as of June 30, 2008.

Credit Risk

- Section 218.415(17), Florida Statutes, authorizes the District to invest in the Local Government Surplus Funds Trust Fund, any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories as defined by Section 280.02, Florida Statutes; and direct obligations of the U.S. Treasury. The District's investment policy states that it shall be the responsibility of the Superintendent or his authorized representative to promptly invest temporarily idle funds in the most efficient manner in those legal instruments prescribed by law, so as to earn the best return on those funds.
- The District's investments in the State Board of Administration Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by the State Board of Administration for managing credit risk for this account.
- The State Board of Administration Local Government Surplus Funds Trust Fund, also known as the Local Government Investment Pool (LGIP), was restructured in December 2007. The Fund was divided into two pools. As of June 30, 2008, the LGIP was rated AAAM by Standard & Poor's. The Fund B Surplus Trust Fund is unrated.
- The District's investments in the Fidelity Institutional Money Market Government Portfolio are rated AAAM by Standard & Poor's.
- The District's investments in U.S. Treasury Securities are unrated.

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4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-01-07	Additions	Deletions	Balance 6-30-08
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 14,179,137.89	\$	\$	\$ 14,179,137.89
Construction in Progress	16,311,864.85	66,707,065.29	11,491,306.87	71,527,623.27
Total Capital Assets Not Being Depreciated	<u>30,491,002.74</u>	<u>66,707,065.29</u>	<u>11,491,306.87</u>	<u>85,706,761.16</u>
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	28,299,636.00	228,149.32		28,527,785.32
Buildings and Fixed Equipment	324,593,697.35	11,488,255.95		336,081,953.30
Furniture, Fixtures, and Equipment	45,606,154.62	5,683,939.99	1,451,150.73	49,838,943.88
Motor Vehicles	19,388,946.79	390,199.00	1,030,879.91	18,748,265.88
Audio Visual Materials	4,243,366.66	528,298.85	1,968,454.06	2,803,211.45
Computer Software	2,464,161.17	35,395.00	28,829.94	2,470,726.23
Total Capital Assets Being Depreciated	<u>424,595,962.59</u>	<u>18,354,238.11</u>	<u>4,479,314.64</u>	<u>438,470,886.06</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	15,720,266.08	1,372,765.67		17,093,031.75
Buildings and Fixed Equipment	116,191,742.49	7,925,851.42		124,117,593.91
Furniture, Fixtures, and Equipment	33,381,803.11	4,726,469.12	1,383,472.69	36,724,799.54
Motor Vehicles	10,297,977.86	1,619,555.90	1,030,879.91	10,886,653.85
Audio Visual Materials	3,416,427.09	218,774.17	1,968,454.06	1,666,747.20
Computer Software	2,401,835.40		96,507.98	2,305,327.42
Total Accumulated Depreciation	<u>181,410,052.03</u>	<u>15,863,416.28</u>	<u>4,479,314.64</u>	<u>192,794,153.67</u>
Total Capital Assets Being Depreciated, Net	<u>243,185,910.56</u>	<u>2,490,821.83</u>		<u>245,676,732.39</u>
Governmental Activities Capital Assets, Net	<u>\$ 273,676,913.30</u>	<u>\$ 69,197,887.12</u>	<u>\$ 11,491,306.87</u>	<u>\$ 331,383,493.55</u>

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

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5. CHANGES IN SHORT-TERM DEBT

The following is a schedule of changes in short-term debt:

	Balance 7-1-07	Additions	Deletions	Balance 6-30-08
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	\$	\$ 10,000,000	\$ 10,000,000	\$

Proceeds from the tax anticipation note were used for operating expenses of the District in November 2007, when the trustees of the State Board of Administration froze the Local Government Surplus Funds Trust Fund Investment Pool, preventing the District from accessing its funds.

6. CERTIFICATES OF PARTICIPATION

The District entered into a master financing arrangement on October 1, 1997, which arrangement was characterized as a lease-purchase agreement, with the Leon School Board Leasing Corporation (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.

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

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On March 6, 2008, the master financing arrangement was amended and the Corporation issued Certificates of Participation, Series 2008-Qualified Zone Academy Bonds (QZAB), in the amount of \$5,000,000. The Series 2008-QZABs were issued to secure financing of improvements to be made at three District schools.

As a condition of the financing arrangement, the District has given ground leases on District property to the Corporation, with a rental fee of \$10 per year. The initial terms of the leases are approximately 35 years commencing on October 1, 1997 (Series 1997 COPS); 16 years commencing on November 1, 2004 (Series 2004-QZAB); 17 years commencing on March 1, 2005 (Series 2005, COPS Refunding); 20 years commencing on June 1, 2006 (Series 2006 COPS); and 16 years commencing on March 6, 2008 (Series 2008-QZAB). The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the 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 Agreements for the benefit of the securers of the Certificates for a period of time specified by the arrangement, which may be up to 35 years from the date of inception of the arrangement.

The District properties included in the ground leases under this arrangement include the Lawton Chiles High School (Series 1997 COPS and Series 2005, COPS Refunding); technology equipment at 24 District school sites as listed in the Lease Schedule (Series 2004-QZAB Certificates); Montford Middle School, Conley Elementary School, Pineview Elementary School, Deerlake Middle School, Killlearn Lakes Elementary School, Lawton Chiles High School, and Lincoln High School (Series 2006 COPS); and technology-related improvements at Riley Elementary School, Griffin Middle School, and Godby High School (Series 2008-QZAB Certificates).

The Series 2004-QZAB Certificates mature 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 lease payments for the Series 2005, COPS Refunding, and Series 2006 COPS are payable by the District, semiannually, on July 1 and January 1 at interest rates ranging from 2.75 to 4.25 percent and 3.625 to 5 percent, respectively. The lease payments for the Series 2008-QZAB Certificates are payable annually on March 9 at a fixed interest rate of 0.19 percent. The following is a schedule by years of future minimum lease payments under the lease agreements together with the present value of minimum lease payments as of June 30:

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Fiscal Year Ending June 30	Total	Principal	Interest
2009	\$ 6,881,523.76	\$ 3,160,000.00	\$ 3,721,523.76
2010	6,868,227.76	3,247,000.00	3,621,227.76
2011	6,863,203.71	3,352,000.00	3,511,203.71
2012	7,273,317.16	3,887,000.00	3,386,317.16
2013	7,269,864.86	4,022,000.00	3,247,864.86
2014-2018	36,267,805.42	22,395,000.00	13,872,805.42
2019-2023	39,420,911.00	30,473,000.00	8,947,911.00
2024-2027	<u>27,802,267.80</u>	<u>25,382,000.00</u>	<u>2,420,267.80</u>
 Total Minimum Lease Payments	 <u>\$ 138,647,121.47</u>	 95,918,000.00	 <u>\$ 42,729,121.47</u>
 Add: Unamortized Premium		 <u>1,018,204.91</u>	
 Total Certificates of Participation Payable		 <u>\$ 96,936,204.91</u>	

7. BONDS PAYABLE

Bonds payable at June 30, 2008, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 1999A	\$ 355,000.00	4.125 - 4.750	2019
Series 2001A	1,310,000.00	4.20 - 5.00	2021
Series 2005A	5,715,000.00	5.00	2017
Series 2005B	795,000.00	5.00	2020
District Revenue Bonds:			
Series 1999, Refunding	835,000.00	5.19	2014
Series 2003, Sales Tax Revenue	34,390,000.00	2.00 - 5.25	2013
District General Obligation Bonds:			
Series 2000, Refunding	3,655,000.00	5.00	2009
Series 2003, Refunding	<u>6,965,000.00</u>	5.00	2010
 Total Bonds	 54,020,000.00		
 Add: Unamortized Bond Premium	 <u>2,383,801.62</u>		
 Total Bonds Payable	 <u>\$ 56,403,801.62</u>		

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

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➤ **State School Bonds**

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

➤ **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, 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.

➤ **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. Each of these bond series is secured by a pledge of property taxes levied pursuant to Chapter 1011, Florida Statutes.

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Annual requirements to amortize all bonded debt outstanding as of June 30, 2008, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2009	\$ 1,148,500.00	\$ 745,000.00	\$ 403,500.00
2010	1,142,468.75	775,000.00	367,468.75
2011	1,154,775.00	825,000.00	329,775.00
2012	1,154,368.75	865,000.00	289,368.75
2013	1,151,818.75	905,000.00	246,818.75
2014-2018	4,247,587.50	3,705,000.00	542,587.50
2019-2021	<u>389,400.00</u>	<u>355,000.00</u>	<u>34,400.00</u>
Total State School Bonds	<u>10,388,918.75</u>	<u>8,175,000.00</u>	<u>2,213,918.75</u>
District Revenue Bonds:			
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	7,782,659.50	6,955,000.00	827,659.50
2012	7,778,434.50	7,290,000.00	488,434.50
2013	7,798,677.75	7,635,000.00	163,677.75
2014	<u>164,152.00</u>	<u>160,000.00</u>	<u>4,152.00</u>
Total District Revenue Bonds	<u>39,191,801.25</u>	<u>35,225,000.00</u>	<u>3,966,801.25</u>
General Obligation Bonds:			
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>
Total General Obligation Bonds	<u>11,063,750.00</u>	<u>10,620,000.00</u>	<u>443,750.00</u>
Total	<u>\$ 60,644,470.00</u>	54,020,000.00	<u>\$ 6,624,470.00</u>
Add: Unamortized Premium		<u>2,383,801.62</u>	
Total Bonds Payable		<u>\$ 56,403,801.62</u>	

8. DEFEASED DEBT

In prior years, the School Board defeased in substance various debt issues by placing a portion of the proceeds of new Certificates of Participation (COPs) and bonds in irrevocable trusts to provide for all future debt service payments on the in-substance defeased COPs and bonds. Accordingly, the trust accounts' assets and the liability for the in-substance defeased COPs and bonds are not included in the

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District's financial statements. The details of the in-substance defeased debt as of June 30, 2008, are as follows:

<u>Description</u>	<u>Defeased Amount</u>
General Obligation Bonds, Series 1988B	\$ 3,825,000.00
General Obligation Bonds, Series 1989A	2,860,000.00
General Obligation Bonds, Series 1989B	4,550,000.00
General Obligation Refunding Bonds, Series 1991	3,745,000.00
General Obligation Refunding Bonds, Series 1993	7,325,000.00
District Revenue Bonds, Series 1985	900,000.00
Certificates of Participation, Series 1997	<u>25,595,000.00</u>
 Total	 <u><u>\$ 48,800,000.00</u></u>

9. CHANGES IN LONG-TERM LIABILITIES

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

<u>Description</u>	<u>Balance 7-1-07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6-30-08</u>	<u>Due in One Year</u>
GOVERNMENTAL ACTIVITIES					
Estimated Insurance Claims Payable	\$ 7,507,052.00	\$ 1,177,512.17	\$ 1,478,387.17	\$ 7,206,177.00	\$ 1,735,258.00
Bonds Payable	70,717,018.37		14,313,216.75	56,403,801.62	14,275,000.00
Certificates of Participation Payable	94,415,088.49	5,000,000.00	2,478,883.58	96,936,204.91	3,160,000.00
Compensated Absences Payable	32,952,602.00	2,447,649.89	2,986,994.42	32,413,257.47	3,200,000.00
Postemployment Healthcare Benefits Payable		6,793,525.00	2,325,621.00	4,467,904.00	
 Total Primary Government	 <u>\$ 205,591,760.86</u>	 <u>\$ 15,418,687.06</u>	 <u>\$ 23,583,102.92</u>	 <u>\$ 197,427,345.00</u>	 <u>\$ 22,370,258.00</u>

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

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10. 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:		
General	\$ 2,074,783.09	\$ 2,211,876.88
Capital Projects:		
Local Capital Improvement	14,349.52	645,147.92
Other	9,719,427.15	10,472,638.97
Nonmajor Governmental	129,816.16	829,104.81
Enterprise	18,912.00	612.09
Internal Service		7,144.20
Fiduciary:		
Other Employee Benefit Trust Agency	2,307,739.59	98,502.64
Total	<u>\$ 14,265,027.51</u>	<u>\$ 14,265,027.51</u>

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:

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 3,337,177.06	\$ 44,026.36
Capital Projects:		
Local Capital Improvement		9,704,073.34
Other	4,948,750.00	8,209,745.07
Nonmajor Governmental	<u>15,090,606.56</u>	<u>5,418,688.85</u>
Total	<u>\$ 23,376,533.62</u>	<u>\$ 23,376,533.62</u>

The principal purposes of the interfund transfers were related to the transfer of Capital Projects - Local Capital Improvement Fund maintenance money to the General Fund, the transfer of Capital Projects - Local Capital Improvement Fund money and Capital Projects - Other Fund money to the Debt Service Funds (Nonmajor Governmental Funds) for repayment of Certificates of Participation and District Sales Tax Bonds, respectively, and the transfer of Certificates of Participation proceeds from the Debt Service Funds (Nonmajor Governmental Funds) to the Capital Projects – Other Fund, from which the proceeds will be spent.

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June 30, 2008**

11. 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 2008-09 fiscal year budget as a result of purchase orders outstanding at June 30, 2008.

12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District’s State revenue for the 2007-08 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 99,252,746.00
Categorical Educational Programs:	
Class Size Reduction	31,700,815.00
Transportation	5,464,979.00
Instructional Materials	3,249,971.00
Excellent Teacher Program	1,804,710.36
Other	2,656,135.38
Classrooms for Kids	7,898,287.00
Gross Receipts Tax (Public Education Capital Outlay)	6,867,899.00
Workforce Development Program	6,103,307.00
Florida Comprehensive Assessment Test Development Grant	2,281,664.50
Class Size Reduction Construction	1,791,070.00
Discretionary Lottery Funds	1,562,543.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,385,203.78
Miscellaneous	<u>3,121,454.63</u>
 Total	 <u><u>\$175,140,785.65</u></u>

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

**EXHIBIT – L
LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008**

13. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2007 tax roll for the 2007-08 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	4.726	\$ 77,675,287
Basic Discretionary Local Effort	0.510	8,382,225
Supplemental Discretionary Local Effort	0.209	3,435,069
<u>DEBT SERVICE FUNDS</u>		
Voted Tax:		
Special Tax School District No. 1	0.477	7,839,846
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	2.000	32,871,471
Total	7.922	\$ 130,203,898

14. FLORIDA RETIREMENT SYSTEM

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

Benefits in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction

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June 30, 2008

for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Benefits in PEORP vest after one year of service. There were 345 District participants during the 2007-08 fiscal year. Required contributions made to PEORP totaled \$1,259,029.18.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2007-08 fiscal year, contribution rates were as follows:

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008**

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Teacher's 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 Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions (including employee contributions) for the fiscal years ended June 30, 2006, June 30, 2007, and June 30, 2008, totaled \$12,735,313.39, \$17,173,738.37, and \$17,863,279.94, respectively, which were equal to the required contributions for each fiscal year.

The financial statements and other supplementary information of 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 FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

15. SPECIAL TERMINATION BENEFITS

School Board policy provides for the payment of retirement incentive bonuses to qualifying employees equal to 10 percent of their annual salary, excluding supplements, at the date of termination of employment. In addition to payments for accrued leave earned and regular termination benefits, the District reported expenditures totaling \$37,981.11 during the 2007-08 fiscal year for retirement incentive bonuses.

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008

16. POSTEMPLOYMENT HEALTHCARE BENEFITS

Effective for the 2007-08 fiscal year, the District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided by the District. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of \$82,280,036 at the July 1, 2007, date of transition amortized over 20 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment healthcare benefits liability at the date of transition.

Plan Description. The Postemployment Health Care Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's purchased health and hospitalization plan for medical and prescription drug coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Retirees enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Postemployment Health Care Benefits Plan does not issue a standalone report and is not included in the report of a Public Employee Retirement System or other entity.

Funding Policy. For the Postemployment Health Care Benefits Plan, contribution requirements of the District are established and may be amended through action from the Board. The District has not advance-funded or established a funding methodology for the annual other post employment benefit (OPEB) costs or the net OPEB obligation. For the 2007-08 fiscal year, 596 retirees received postemployment healthcare benefits. The District's contribution to the OPEB obligation is the implicit subsidy for the retirees, which was \$2,325,621. This amount was comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, reinsurance premiums, and net of retiree contributions totaling \$2,283,455.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The following table shows

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LEON COUNTY
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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008**

the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for postemployment healthcare benefits:

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 2,401,126
Amortization of Unfunded Actuarial Accrued Liability	4,195,475
Interest on Normal Cost and Amortization	<u>196,924</u>
Annual Required Contribution	6,793,525
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	<u> </u>
Annual OPEB Cost (Expense)	6,793,525
Contribution Toward the OPEB Cost	<u>(2,325,621)</u>
Increase in Net OPEB Obligation	4,467,904
Net OPEB Obligation, Beginning of Year	<u> </u>
Net OPEB Obligation, End of Year	<u><u>\$ 4,467,904</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2008 (first year of implementation), was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Beginning Balance, 7-1-07 2007-08	\$ 6,793,525	34.23%	\$ 4,467,904

Funded Status and Funding Progress. As of October 1, 2006, the initial actuarial valuation date, the actuarial accrued liability for benefits was \$82,280,036, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$82,280,036 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$124,632,777 for the 2007-08 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 66.02 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008

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

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

The District's initial OPEB actuarial valuation as of October 1, 2006, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2008, and the District's 2007-08 fiscal year annual required contribution. This method was selected to produce the lowest OPEB liability and annual cost, and to spread the costs evenly as a percent of pay throughout the collective careers of those in the covered workforce. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 10 percent for the 2007-08 fiscal year, then reduced by 0.5 percent per year, to an ultimate rate of 5 percent after 10 years. The unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll on a closed basis. The remaining amortization period at June 30, 2008, was 19 years.

17. CONSTRUCTION CONTRACT COMMITMENTS

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

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008

Project	Contract Amount	Completed to Date	Balance Committed
Pineview Elementary School:			
Engineer	\$ 33,595.00	\$ 17,837.00	\$ 15,758.00
Architect	509,767.13	461,341.13	48,426.00
Contractor	2,798,176.97	2,272,021.10	526,155.87
Apalachee Elementary School:			
Engineer	13,500.00	9,887.00	3,613.00
Contractor	4,023,523.46	3,538,054.00	485,469.46
Killeam Lakes Elementary School:			
Engineer	25,529.87	14,631.62	10,898.25
Architect	397,205.58	372,851.94	24,353.64
Contractor	3,811,176.98	3,643,970.65	167,206.33
Deerlake Middle School:			
Engineer	33,100.00	21,912.00	11,188.00
Architect	649,206.68	542,480.68	106,726.00
Contractor	4,308,720.07	1,639,082.39	2,669,637.68
Chiles High School:			
Engineer	18,000.00	8,809.75	9,190.25
Architect	231,306.80	198,412.40	32,894.40
Contractor	3,838,372.44	2,753,811.29	1,084,561.15
Montford Middle School:			
Engineer	216,012.00	179,996.21	36,015.79
Architect	1,186,200.00	1,129,600.00	56,600.00
Contractor	17,450,645.75	17,186,450.00	264,195.75
Conley Elementary School:			
Engineer	186,688.00	185,232.49	1,455.51
Architect	1,028,885.22	933,445.31	95,439.91
Contractor	21,539,848.92	20,680,113.05	859,735.87
Pineview Elementary School - Site Work:			
Contractor	1,064,908.49	580,031.00	484,877.49
Apalachee Elementary School - Site Work:			
Contractor	2,382,290.00	2,022,853.10	359,436.90
Deerlake Middle School - HVAC:			
Engineer	248,063.84	169,246.84	78,817.00
Contractor	997,490.00	162,951.10	834,538.90
Gene Cox Stadium - Structural Repairs:			
Contractor	943,263.00	392,437.10	550,825.90
Cobb Middle School - Renovations:			
Engineer	28,326.00	22,710.00	5,616.00
Architect	620,004.81	578,032.46	41,972.35
Contractor	988,626.28	245,645.00	742,981.28
Rickards High School - Renovations:			
Engineer	20,248.65	10,031.52	10,217.13
Architect	849,698.00	687,784.60	161,913.40
Contractor	337,244.00	264,796.83	72,447.17
Raa Middle School - Renovations:			
Engineer	2,000.00	607.00	1,393.00
Architect	46,858.83	32,696.81	14,162.02
Contractor	2,124,255.00	1,513,152.20	611,102.80
Godby High School - Renovations:			
Engineer	77,400.00		77,400.00
Architect	70,282.00	50,800.00	19,482.00
Contractor	1,656,762.00	358,821.04	1,297,940.96
Lincoln High School - Renovations:			
Architect	968,549.69	796,226.20	172,323.49
Contractor	6,050,584.00	3,810,259.95	2,240,324.05
Total	\$ 81,776,315.46	\$ 67,489,022.76	\$ 14,287,292.70

**EXHIBIT – L
LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008**

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 \$7,206,177 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2008.

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
2006-07	\$ 8,088,330.00	\$ 1,044,502.00	\$ (1,625,780.00)	\$7,507,052.00
2007-08	7,507,052.00	1,177,512.17	(1,478,387.17)	7,206,177.00

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

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

19. 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 District serves as the fiscal agent.

EXHIBIT – L
LEON COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2008

20. LITIGATION

The District is involved with 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.

21. SUBSEQUENT EVENT

On July 25, 2009, the master financing arrangement with the Leon County School Board Leasing Corporation (Corporation) was amended and the Corporation issued Certificates of Participation, Series 2008B -Qualified Zone Academy Bonds (QZAB), in the amount of \$15,000,000. The Series 2008B - QZABs were issued to secure financing of improvements to be made at Riley Elementary, Griffin Middle, and Godby High Schools. The lease payments for the Series 2008B -QZAB Certificates are payable annually on July 25th at a fixed interest rate of 1.7 percent.

REQUIRED SUPPLEMENTARY INFORMATION

**EXHIBIT - M
LEON COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
For the Fiscal Year Ended June 30, 2008**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 175,000.00	\$ 217,409.57	\$ 217,409.57	\$
Federal Through State and Local	15,000.00	871,779.41	1,684,044.33	812,264.92
State	160,922,351.10	157,174,714.44	156,612,820.87	(561,893.57)
Local:				
Taxes	84,890,920.00	87,248,816.53	85,043,672.01	(2,205,144.52)
Miscellaneous	7,526,818.16	8,446,978.53	10,401,751.70	1,954,773.17
Total Revenues	253,530,089.26	253,959,698.48	253,959,698.48	0.00
Expenditures				
Current - Education:				
Instruction	170,002,025.33	163,174,783.32	150,218,401.95	12,956,381.37
Pupil Personnel Services	7,929,767.53	12,127,021.27	11,873,515.90	253,505.37
Instructional Media Services	4,221,976.56	4,584,038.35	4,463,588.01	120,450.34
Instruction and Curriculum Development Services	9,919,358.14	14,145,473.38	12,579,062.96	1,566,410.42
Instructional Staff Training Services	693,745.20	972,829.12	567,395.97	405,433.15
Instruction Related Technology	3,086,300.39	2,929,608.05	2,636,304.48	293,303.57
Board of Education	1,317,926.70	1,300,753.40	941,488.35	359,265.05
General Administration	2,174,282.07	2,318,223.03	1,607,536.84	710,686.19
School Administration	18,323,239.34	17,247,473.32	16,094,665.43	1,152,807.89
Facilities Acquisition and Construction	1,873,906.42	2,220,211.03	948,107.68	1,272,103.35
Fiscal Services	2,049,521.81	2,180,060.56	2,123,086.11	56,974.45
Central Services	9,166,503.47	8,392,275.82	6,943,192.23	1,449,083.59
Pupil Transportation Services	9,955,248.59	11,667,615.79	11,020,790.87	646,824.92
Operation of Plant	22,262,261.91	22,102,594.43	19,902,684.97	2,199,909.46
Maintenance of Plant	8,095,412.19	8,781,892.50	8,486,586.10	295,306.40
Administrative Technology Services	4,505,538.96	5,290,307.27	4,873,892.65	416,414.62
Community Services	5,002,547.38	5,162,564.22	4,307,219.53	855,344.69
Fixed Capital Outlay:				
Facilities Acquisition and Construction		35,401.20	12,008.40	23,392.80
Other Capital Outlay		1,665,884.04	1,321,486.20	344,397.84
Debt Service:				
Principal	130,799.00			
Interest and Fiscal Charges		19,637.88	12,638.88	6,999.00
Total Expenditures	280,710,360.99	286,318,647.98	260,933,653.51	25,384,994.47
Deficiency of Revenues Under Expenditures	(27,180,271.73)	(32,358,949.50)	(6,973,955.03)	25,384,994.47
Other Financing Sources (Uses)				
Transfers In	2,908,845.64		3,337,177.06	3,337,177.06
Transfers Out		(44,026.36)	(44,026.36)	
Total Other Financing Sources (Uses)	2,908,845.64	(44,026.36)	3,293,150.70	3,337,177.06
Net Change in Fund Balance	(24,271,426.09)	(32,402,975.86)	(3,680,804.33)	28,722,171.53
Fund Balance, July 1, 2007	34,461,420.39	34,461,420.39	34,461,420.39	
Fund Balance, June 30, 2008	\$ 10,189,994.30	\$ 2,058,444.53	\$ 30,780,616.06	\$ 28,722,171.53

EXHIBIT - N
LEON COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -
POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN
For the Fiscal Year Ended June 30, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
10/1/2006	\$	\$ 82,280,036.00	\$ 82,280,036.00	0%	\$ 124,632,777.00	66.02%

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**LEON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 1,128,136.14	\$
National School Lunch Program	10.555	300	4,283,675.75	
Summer Food Service Program for Children	10.559	323	147,408.47	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	758,037.05	
Total Child Nutrition Cluster			6,317,257.41	
Florida Department of Financial Services:				
Schools and Roads - Grants to States	10.665	None	11,247.58	
Total United States Department of Agriculture			6,328,504.99	
United States Department of Labor:				
Indirect:				
Florida's Great Northwest, Inc.:				
WIA Pilots, Demonstrations, and Research Projects	17.261	None	221,538.98	
United States Department of Education:				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	45,000.00	
Federal Pell Grant Program	84.063	N/A	500,603.50	
Total Student Financial Assistance Cluster			545,603.50	
Fund for the Improvement of Education	84.215	N/A	334,690.61	
Total Direct			880,294.11	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	8,914,779.73	83,316.08
Special Education - Preschool Grants	84.173	267	450,016.46	79,707.17
Jefferson County District School Board:				
Special Education - Grants to States	84.027	None	28,832.37	
Total Special Education Cluster			9,393,628.56	163,023.25
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191	380,688.83	
Title I Grants to Local Educational Agencies	84.010	212, 223, 228	6,501,699.07	121,819.05
Career and Technical Education - Basic Grants to States	84.048	151	558,318.55	
Safe and Drug Free Schools and Communities - State Grants	84.186	103	135,926.31	
Education for Homeless Children and Youth	84.196	127	43,464.83	
Even Start - State Educational Agencies	84.213	219	116,151.06	
Charter Schools	84.282	298	275,226.33	275,226.33
Twenty-First Century Community Learning Centers	84.287	244	1,948,937.13	160,560.34
State Grants for Innovative Programs	84.298	113	35,292.80	
Education Technology State Grants	84.318	121	51,606.30	
Reading First State Grants	84.357	211	398,700.58	
Voluntary Public School Choice	84.361	299	67,906.76	
English Language Acquisition Grants	84.365	102	45,296.85	
Improving Teacher Quality State Grants	84.367	224	1,360,054.08	
Total Indirect			21,312,898.04	720,628.97
Total United States Department of Education			22,193,192.15	720,628.97

**LEON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Health and Human Services:				
Indirect:				
Florida State University:				
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	None	\$ 27,214.62	\$
Early Learning Coalition of the Big Bend Region:				
Temporary Assistance for Needy Families	93.558	None	142,423.19	
Child Care and Development Fund Cluster:				
Child Care and Development Block Grant	93.575	None	244,585.66	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	None	174,884.72	
Total Child Care and Development Fund Cluster			419,470.38	
Total United States Department of Health and Human Services			589,108.19	
Corporation for National and Community Service:				
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	234	972.20	
The Florida Commission on Community Service:				
AmeriCorps	94.006	None	128,501.67	
Total Corporation for National and Community Service			129,473.87	
United States Department of Homeland Security:				
Indirect:				
Florida Department of Education:				
Homeland Security Grant Program	97.067	234	24,250.70	
United States Department of Defense:				
Direct:				
Air Force Junior Reserve Officers Training Corps	None	N/A	62,393.87	
Army Junior Reserve Officers Training Corps	None	N/A	53,552.18	
Navy Junior Reserve Officers Training Corps	None	N/A	50,056.25	
Marine Corps Junior Reserve Officers Training Corps	None	N/A	46,758.10	
Total United States Department of Defense			212,760.40	
Total Expenditures of Federal Awards			\$ 29,698,829.28	\$ 720,628.97

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2007-08 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 prepared.

(2) Noncash Assistance - National School Lunch Program. Represents the amount of donated food received during the 2007-08 fiscal year. Commodities are valued at fair value as determined at the time of donation.



David W. Martin, CPA
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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, 2008, 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 was modified to include a reference to 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. Other auditors audited the financial statements of the school internal funds and of the aggregate discretely presented component units, as described in our report on the Leon County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Leon County Schools' Foundation, Inc., were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted

accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider Financial Statement Finding No. 1, which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** is not a material weakness.

Compliance and Other Matters

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

We noted certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

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

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA

March 23, 2009



David W. Martin, CPA
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The President of the Senate, the Speaker of the
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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 Leon County District School Board'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 its major Federal program for the fiscal year ended June 30, 2008. The District's major Federal program is identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the District's major Federal program 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 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 its major Federal program for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB *Circular A-133* and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we considered to be a significant deficiency.

A *control deficiency* in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control. We did not consider the Federal Awards control deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report to be a material weakness.

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

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
March 23, 2009

**LEON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	Yes
Type of report the auditor issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB <i>Circular A-133</i> ?	Yes
Identification of major program:	Special Education Cluster (CFDA Nos. 84.027 and 84.173)
Dollar threshold used to distinguish between Type A and Type B programs:	\$890,965
Auditee qualified as low-risk auditee?	Yes

**LEON COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

FINANCIAL STATEMENT FINDING

Significant Deficiency

Finding No. 1: Financial Reporting

Our review of the District’s 2007-08 fiscal year annual financial report, as presented for audit, indicated that enhancements in procedures could be made for reporting certain account balances on the financial statements. For example, on the government-wide statement of net assets, the District did not consider significant unspent debt proceeds and deferred charges of unamortized bond issuance costs when calculating the net assets - restricted for capital projects account balance. As a result, invested in capital assets, net of related debt was understated and restricted for capital projects was overstated by approximately \$25 million each. We extended our procedures to determine the adjustments necessary, and adjustments were accepted by the District to properly report the account balances on the financial statements.

Recommendation: To facilitate necessary financial reporting, the District should enhance procedures to properly report account balances on the financial statements.

ADDITIONAL MATTERS

Finding No. 2: Cash Collections – Extended Day Enrichment Program

The District operated a fee-supported, school-age child care program that provided before and after school care at 20 elementary schools. The District recorded fee collections, totaling approximately \$4.5 million, for the Extended Day Enrichment Program (EDEP) during the 2007-08 fiscal year. Our review of internal controls over EDEP fee collections at Buck Lake Elementary, W. T. Moore Elementary, Gretchen Everhart, Apalachee Elementary, Sabal Palm Elementary, and Ft. Braden Schools disclosed the following deficiencies:

- The former EDEP site director at Apalachee Elementary School was responsible for maintaining attendance records, collecting fee payments from parents, preparing prenumbered receipts, preparing the cash collection summary reports, recording fee payments, reconciling fee payments collected with fee payments recorded, preparing the deposit slips, and making the deposits. Under these conditions, this employee had control over the transaction process in such a manner that errors or fraud, should they occur, may not be detected in a timely manner. Effective internal control requires the separation of the cash collection and record keeping functions.
- Staff members at W. T. Moore Elementary and Ft. Braden Schools received and recorded collections on a daily basis; however, the transfer of these collections between personnel for preparation of the deposits was

not always evidenced by signed transfer documents. Absent such transfer documentation, the District may be limited in its ability to fix responsibility should a loss of collections occur.

- At W. T. Moore Elementary School, no one independent of the deposit process routinely reconciled fee collections recorded to fees actually deposited. Our test of 1,972 receipts, totaling \$266,410.02, made during the 2007-08 fiscal year, disclosed that the total collections recorded on prenumbered receipts exceeded bank deposits by \$2,728.07. This test also disclosed that total collections recorded on reports of moneys collected forms exceeded the bank deposits by \$1,426.22. Upon inquiry, school personnel indicated that these discrepancies were caused by duplicate receipts being issued. In addition, the school recently reassigned the duties for preparing prenumbered receipts for moneys collected, and implemented steps to ensure fees collected and recorded are routinely reconciled to actual deposits by someone independent of the fee collection process. Without independent reconciliations of amounts recorded to amounts deposited, accountability for fee collections is limited.
- For Apalachee Elementary, Ft. Braden, Gretchen Everhart, and W. T. Moore Elementary, no one independent of the fee collection process reconciled potential fee collections, based on attendance records and approved fee rates, to actual fee collections and deposits. Such procedures, including the timely investigation and resolution of any discrepancies disclosed by such reconciliations, would decrease the risk for errors or fraud to occur and not be prevented or detected in a timely manner.

A similar finding was noted in our report No. 2006-191.

Recommendation: The District should enhance its procedures over Extended Day Enrichment Program fee collections to ensure adequate segregation of duties for collecting, recording, and depositing functions; evidence of responsibility for transfers is maintained; fee collections are properly recorded and subsequently deposited; and fee audits are performed by someone independent of the fee collection process.

Finding No. 3: Ad Valorem Taxation Expenditures

The District charged computer software costs to its capital outlay millage levy funds that were not, of record, allowable under the provisions of Section 1011.71, Florida Statutes. Section 1011.71, Florida Statutes, provided that each school board could levy against the taxable value not more than 2 mills for capital outlay purposes. This section also provided that allowable uses of capital outlay millage levy proceeds included, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing school plants; purchases of new and replacement equipment; and payment of property-casualty insurance premiums subject to certain conditions and limitations.

The District had capital outlay tax levy combined expenditures and transfers out of approximately \$32 million during the 2007-08 fiscal year. Our review of these disbursements disclosed that the District made computer software purchases, totaling \$160,539.56, from these proceeds which were not specifically authorized pursuant to Section 1011.71, Florida Statutes (2007). This amount consisted of costs for system software, totaling \$1,670, and instructional software, totaling \$158,869.56. In October 2008, the Florida Department of Education responded to another school district regarding its purchase of computer software noting that “the expenditure of capital improvement funds for computer software is not authorized in Section 1011.71, Florida Statutes.”

District personnel indicated that, of the computer software charges discussed above, software purchases, totaling \$152,900, were charged in error by a journal entry. Subsequent to our inquiry in January 2009, the District restored

these moneys from unrestricted resources to the capital outlay millage levy funds. Insofar as computer software is not specifically included as an allowable use of capital outlay millage proceeds, the remaining unreimbursed capital tax levy moneys, totaling \$7,639.56, represents questioned costs.

Recommendation: The District should enhance procedures to ensure that it limits the use of capital outlay millage levy funds to the purposes set forth in Section 1011.71(2), Florida Statutes. In addition, the District should restore the remaining unreimbursed funds, totaling \$7,639.56, to the capital outlay tax levy fund.

Finding No. 4: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Effective October 1, 2007, Section 119.071(5)(a), Florida Statutes, as amended by Chapter 2007-251, Laws of Florida, provides that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so, or it is imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that, as the District collects an individual's SSN, it must provide the individual with a copy of the written statement indicating the purpose for collecting the number. Further, this section provides that SSNs collected by the District may not be used by the District for any purpose other than the purpose provided in the written statement. This section also requires that the District review whether its collection of SSNs is in compliance with the above requirements; immediately discontinue the collection of SSNs for purposes that are not in compliance; and certify to the President of the Senate and the Speaker of the House of Representatives its compliance with these requirements no later than January 31, 2008. Further, by this date, the District was also required to file a report with the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives listing the identity of all commercial entities that have requested SSNs during the preceding calendar year and the specific purposes stated by each commercial entity regarding its need for SSNs. If no disclosure requests were made, the District was required to so indicate.

The District collects SSNs from students, employees and prospective employees, and certain contracted vendors for record keeping and tax related purposes. Our review disclosed that, contrary to the above law, the District did not conduct the required review and evaluation of the reasons that SSNs were collected or prepare written statements notifying individuals of the purpose for collection of the SSNs. Further, contrary to the above law, the District did not certify to the Legislature that it complied with Section 119.071(5)(a), Florida Statutes, or report to the Governor and Legislature the identity of all commercial entities that requested SSNs during the preceding calendar year. Effective controls to properly monitor the need for and use of SSNs and ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

Recommendation: The District should take appropriate action to ensure compliance with Section 119.071(5)(a), Florida Statutes. Such action should include an evaluation of the reasons the District collects SSNs from individuals. In those instances in which the District determines that collection of the SSNs is not imperative for performance of its duties and responsibilities, the District should discontinue obtaining such numbers.

Finding No. 5: Adult General Education Courses

Section 1004.02(3), Florida Statutes, defines adult general education as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2007-72, Laws of Florida, Specific Appropriation 125, provides that each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to the districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. The procedures further provide that the standard for establishing a student's withdrawal date for a class shall be six consecutive absences.

Our review disclosed that the District needs to improve controls over enrollment reporting. We tested the hours reported to FDOE for 30 students enrolled in 11 adult general education classes, and noted exceptions in the enrollment reporting for all 30 of the students tested, as follows:

- For 24 students tested, system errors related to the master course schedule and hours erroneously reported for weekends and holidays, resulting in 1,700.50 hours overreported.
- For three students tested, a system error caused hours to be reported after the student's withdrawal date, resulting in 259 hours overreported.
- For two students tested, attendance records were not available to support 230 hours reported.
- For one student tested, two contact hours for placement and assessment were not reported.

Given the above exceptions, the full extent of the course hours overreported was not readily available. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly and be accurately presented in FDOE's records. In November 2008, District personnel notified FDOE that system errors caused adult general education instructional hours to be overreported when students withdrew before a course ended and offered to recalculate and resubmit instructional hours for the 2007-08 fiscal year.

Recommendation: The District should continue its efforts to ensure proper reporting of instructional contact hours for adult general education courses to the Florida Department of Education. Further, the District should determine the extent of hours overreported and report the correct information to the Florida Department of Education.

Finding No. 6: Information Technology – Logging of Security Activity

Effective information technology (IT) security practices include maintaining an automated log of security administration activity to determine how, when, and by whom specific actions were taken. Security logs provide the ability to, among other things, selectively identify access modifications made by security personnel.

As similarly noted in audit report No. 2006-165, the District's Total Educational Resource Management System (TERMS) package included security functionality to monitor and control application users' access. However, an automated log of access modifications made by security personnel was not maintained during the 2007-08 fiscal year.

Without logs of activity within the security administration function, the District may be unable to determine when or by whom a user's access was modified or deleted. The lack of logging the application security activity could hinder

the District's ability to pinpoint accountability for a breach of security, should it occur. In July 2008, the District implemented a logging function and generated reports for review on a weekly basis.

Recommendation: The District should continue utilizing the logging function to capture modifications made to users' application access privileges, reviewing the logging reports on a regular basis, and taking appropriate action, as necessary, based upon information gathered from the reports.

Finding No. 7: Information Technology – Separation of Duties

Separation of incompatible duties is an important element of internal control. An appropriate division of roles and responsibilities can assist in the detection of errors or fraud and exclude the possibility for a single individual to subvert a critical process. In the IT environment, good business practice suggests that separation of duties be in place with regard to program changes, the movement of programs into the production environment, and the updating of production data. If separation of duties is difficult to accomplish because of a limited number of personnel, compensating controls, such as close monitoring of the modification and execution of programs, may be necessary.

During our test of update access to the production library, we identified ten employees who had unnecessary update access to the production library that allowed them to move programs into production. Failure to appropriately restrict update access to the production library increases the risk that unauthorized program code may be moved into production, thereby compromising the integrity of District data. In response to audit inquiry, the District removed update access for the ten employees.

Also, as similarly noted in our report No. 2006-165, the District's practice was for programmers within Technology and Information Services (T&IS) to modify programs and then move them into the production environment. The District implemented a compensating control that was intended to ensure that programmers could not move changed code into the production environment without detection. Program move activities were being monitored by appropriate staff through automated e-mail notifications. The District also logged all program move activities in the production and test libraries through system logs and posted the logs for regular monitoring by all programming staff, analyst supervisors, and the systems and applications supervisors. Additionally, the District assigned six of the employees the responsibility for reviewing the system logs for inappropriate activity. However, in response to audit inquiry, the District was unable to provide documentation of record showing where the six employees acknowledged that they had reviewed the system logs for inappropriate activity. The lack of appropriate documentation limits management's ability to ensure that system logs are being reviewed as intended and increases the risk that inappropriate program move activities, should they occur, may go undetected.

Recommendation: The District should review the appropriateness of all T&IS' access privileges within the production environment, including specifically the access privileges for the production and test libraries, on a regular basis.

Finding No. 8: Information Technology – Network Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Effective security practices include the restriction of logical access to and use of IT computing resources through the implementation of adequate identification, authentication, and authorization mechanisms, linking users and resources with access rules. Such mechanisms help to prevent unauthorized individuals from accessing computer resources. As similarly noted in our report No. 2006-165, our audit disclosed the following:

- Although the District had not installed a network intrusion detection or prevention system during the 2007-08 fiscal year, District management indicated that an intrusion detection system had been installed October 1, 2008.
- Additional improvements were needed in certain District network security controls in the areas of monitoring network security, authentication of users, and control of wireless access points. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District information. However, we have notified appropriate District personnel of the specific issues.

Without effective network security controls, the risk is increased that District data and IT resources may be subject to improper disclosure, modification, or destruction by unauthorized personnel or others.

Recommendation: The District should improve its network security controls in the areas described above to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

Finding No. 9: Information Technology – Management of Access Privileges

Effective security practices include periodic reviews of user access rights. Comparisons of resources with recorded accountability reduce the risk of errors, fraud, misuse, or unauthorized alteration. As similarly noted in our report No. 2006-165, District controls over the removal of former employee access privileges needed improvement. Without the needed control improvements, the risk was increased that access privileges may be misused by former employees or others, compromising District data or IT resources. Specifically:

- Five of 43 former employees who terminated between July 1, 2007, and June 30, 2008, did not have their access privileges removed from TERMS in a timely manner. The number of days between termination of employment and removal of TERMS access privileges ranged from 23 to 180 days.
- Twenty-one of the 43 former employees did not have their access privileges removed from the District's network in a timely manner. The number of days between termination of employment and removal of network access privileges ranged from 32 to 454 days.
- District policy allowed for employees to access the District's network and e-mail for up to 30 days after terminating employment.

Recommendation: The District should strengthen its controls related to the removal of access privileges for former employees in order to minimize the risk of compromising the District's data and IT resources. Additionally, the District should enhance its policy to ensure the immediate removal of former employees' access.

Finding No. 10: Information Technology – Tape Back-Up Procedures

IT resource controls dictate that back-up procedures be implemented to ensure the proper storage of IT-related media containing data files, software, and related documentation, both on-site and off-site. IT resource controls also ensure that back-up media is stored securely with storage sites periodically reviewed for physical access security. As similarly noted in our report No. 2006-165, the District stored off-site back-up tapes in a facility that was geographically close to its IT operations center. Inadequate storage and control of back-up tapes may lead to the inadvertent physical damage or loss of tapes in the event of a wide area natural disaster destroying both the IT operations center and off-site back-up tape locations. In response to audit inquiry, the District indicated that migration to out-of-state and off-site back-up storage sites will be finalized by June 30, 2009.

Recommendation: The District should continue with its plan for off-site back-up processes and update related procedures accordingly.

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Special Education – Grants to States (CFDA No. 84.027)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: Not Applicable

Allowable Costs/Cost Principles. The United States Office of Management and Budget (OMB) *Circular A-87*, Attachment A, Section C.1, provides, in part, that costs must be adequately documented to be allowable under Federal awards. OMB *Circular A-87* further 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 unit. Where employees are expected to work on multiple cost 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 semiannually, that the employees worked solely on that program for the period of certification.

For the 2007-08 fiscal year, the District reported Special Education – Grants to States program expenditures, totaling approximately \$8.9 million, for salaries and benefits, purchased services, and other costs. Our tests disclosed that enhancements were needed in District procedures for monitoring these costs, as follows:

- We tested salary and benefit expenditures, totaling approximately \$1.2 million, for 20 employees charged to the program to determine whether semiannual certifications or personnel activity reports were properly maintained. While this information was generally available, we noted that documentation, due to oversights, was not initially prepared for 2 of the 20 employees tested. Semiannual certifications were not initially prepared for one employee, working solely for the program, and paid approximately \$63,000; and monthly personnel activity reports or equivalent documentation to support program salary charges, totaling approximately \$21,000, were not initially prepared for the other employee, working, in part, for the program. In October 2008, subsequent to our audit request, the employees prepared the required certifications and personnel activity reports to support the salary charges to the program. A similar finding was noted in our report No. 2006-151.
- The District also had program expenditures, totaling approximately \$734,000, for behavioral assessments and consultations, and community-based work experience services. As part of our procedures, we tested payments, totaling approximately \$83,000, to determine whether District records evidenced monitoring procedures to ensure that the services were received before payments for the services were made. While the District maintained invoices, detailing the contracted personnel names and hours of service provided at the schools, District personnel did not timely reconcile these invoices to sign-in/sign-out sheets or similar documentation maintained by the schools to verify the accuracy of the invoices before payments were made. Subsequent to our inquiry in December 2008, the District provided documentation which demonstrated the allowability of the Federal expenditures.

Without properly monitoring charges and related expenditures of Federal programs, the risk increases that services may not be performed in accordance with grant terms and District intentions.

Recommendation: The District should enhance its procedures to ensure that employees, who perform services for Federal programs, maintain semiannual certifications or monthly personnel activity reports, as required, to support salary and benefit charges. Also, the District should strengthen monitoring procedures by reconciling time records for purchased services to related charges before payments for such services are made.

District Contact Person: Ward Spisso, Director, Exceptional Student Education

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in previous audit reports.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit – O.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

*LEON COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2008*

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

No prior Federal audit findings.

**EXHIBIT – O
MANAGEMENT’S RESPONSE**

BOARD CHAIR
Georgia "Joy" Bowen

BOARD VICE CHAIR
Maggie B. Lewis-Butler



BOARD MEMBERS
Forrest Van Camp
Dee Crumpler
Dee Dee Rasmussen

SUPERINTENDENT
Jackie Pons

March 9, 2009

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

Dear Mr. Martin:

Enclosed is the written response of explanation regarding the tentative finding reflected in the Preliminary Audit Report of the Leon County District School Board for the fiscal year 2007-2008.

We would like to thank you for this opportunity to respond to the tentative audit findings as this will enable us to address issues which will facilitate the District’s ability to provide better services to our students. If you have questions or require additional information, please feel free to contact us.

Sincerely,

Jackie Pons
Superintendent

cc: School Board Members
Board Attorney
Associate Superintendent
Internal Auditing

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Building the Future Together

Mr. David W. Martin, CPA
 March 9, 2009
 Page 2 of 4

Finding No. 1: Financial Reporting

The District will report all outstanding balances in the future. The adjustment determined to be necessary in this finding, the sale of bonds, is a result of a transaction that infrequently occurs. The fact it was not recorded was not an oversight but was due to lack of experience with these transactions since the inception of the GASB 34 reporting standards. We have learned from this experience and future Financial Reports will reflect these balances correctly.

Finding No. 2: Cash Collections – Extended Day Enrichment Program

The Budget Department is working with the Extended Day Managers to further tighten the controls over the collection and receipting of fees. The Director of Budget meets with the managers on a quarterly basis to review policies and procedures. The Director of Budget will monitor Extended Day Enrichment Program fee collections on a more routine basis.

Finding No. 3: Ad Valorem Taxation Expenditures

Procedures for the review of expenditures from capital outlay millage levy funds will be discussed with the appropriate personnel. The remaining unreimbursed funds of \$7,639.56 will be restored to the capital outlay tax levy fund.

Finding No. 4: Collection of Social Security Numbers

The Leon County School District has posted a written statement to applicants who complete an application on the Paperless Applicant Tracking System regarding the collection of social security numbers. The statement is as follows: "In accordance with section 119.071(5)(a)2, F.S., your Social Security Number may be collected for the purpose of assisting with pre-employment eligibility screening and to process your application."

Finding No. 5: Adult General Education Courses

The Leon County School District has corrected all system errors which resulted in an over calculation of contact hours for adult general education courses. Furthermore, the district has reviewed and verified for accuracy the data submitted during February 2009 to the Florida Department of Education's Workforce Development Information System (WDIS). The Florida Department of Education was notified of the reporting issue and has not requested a recalculation of hours for 2007-08 year.

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March 9, 2009
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Finding No. 6: Information Technology - Logging of Security Activity

The District will continue to operate in accordance with procedures implemented in July 2008 which include utilizing the logging function to capture modifications to user access privileges, generating review listings, and taking appropriate action as necessary.

Finding No. 7: Information Technology – Separation of Duties

The District will continue utilizing production access logs, adding acknowledgement for the monthly log reviews, consistent with the audit recommendation.

Finding No. 8: Information Technology – Network Security Controls

Intrusion detection is in place as of October 2008. Reviews of wireless access points are made based upon instances detected; and user authentication procedures are in place. The installation of the updated network management system – scheduled for completion this year; includes an automated listing of all wireless access points that will be used for periodic site reviews.

Finding No. 9: Information Technology – Management of Access Privileges

Supervisor reporting and processing of position changes are part of the LCS employee transition checklist, and these procedures have and will continue to be emphasized to improve the timeliness of access removals consistent with position change notifications. General network access is disabled, i.e. access to network-resources, files and applications are disabled, upon notification of termination. Only with the position supervisor's approval and request, accounts may be modified to allow email access for a period of 30 days after position termination. Automating this function remains a recommended feature for a future version of the automated personnel system.

Finding No. 10: Information Technology – Tape Back-Up Procedures

The District will continue efforts toward implementation of a plan for migration to out-of-state and off-site back-up storage sites with finalization by June 30, 2009.

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March 9, 2009
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Federal Awards Finding No. 1:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: Special Education – Grants to States (CFDA No. 84-027)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: Not Applicable

The Leon County School District staff has implemented a procedure to remind split code personnel to complete the necessary paperwork in a timely manner. Additionally, the district has established a procedure for school based personnel to review time records for contracted personnel on a monthly basis.

Responsible Party:

Ward Spisso, Director, ESE
Bruce Harrison, Coordinator, ESE

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