REPORT NO. 2010-182
MARCH 2010

ST. LUCIE COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2009

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

St. Lucie County District School Board members and the Superintendent who served during the 2008-09 fiscal year are listed below:

	District No.
Dr. Judi Miller, Chair from 11-18-2008, Vice Chair to 11-17-2008	1
Carol A. Hilson, Chair to 11-17-2008	2
Dr. John J. Carvelli	3
Kathryn Hensley	4
Troy Ingersoll, Vice Chair from 11-18-2008	5

Michael J. Lannon, Superintendent

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

The audit team leader was Mark Smith, CPA, and the audit was supervised by Tim L. Tucker, CPA. For the information technology portion of this audit, the audit team leader was Sue Graham, CPA, CISA, 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 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 *Government Auditing Standards* issued by the Comptroller General of the United States; however, we noted certain additional matters as summarized below.

SIGNIFICANT DEFICIENCY

Finding No. 1: Improvements could be made in financial reporting procedures and controls over school internal funds.

ADDITIONAL MATTERS

Finding No. 2: The District's administration of purchasing cards could be improved.

Finding No. 3: The District needed to improve its efforts to ensure that contractual personnel who have direct access to students receive the required background screenings.

Finding No. 4: The District's information technology (IT) program change controls needed improvement.

Finding No. 5: Some employees had inappropriate or unnecessary Finance and Human Resources/Payroll system access privileges.

Finding No. 6: The District had not removed the IT access privileges of certain former employees in a timely manner.

Finding No. 7: The District did not adequately document management approval of the access given to users in connection with the implementation of the new business system.

Finding No. 8: Certain District security controls relating to user authentication needed improvement.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Part A Cluster; Special Education Cluster; and Improving Teacher Quality programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note a compliance finding as summarized below.

FEDERAL AWARDS FINDING

Federal Awards Finding No. 1: The District had 22 teachers, providing services in Title I schoolwide program schools, who were not highly qualified, contrary to Federal regulations.

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2009. 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*.

AUDITOR GENERAL
STATE OF FLORIDA

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

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

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the St. Lucie County District School Board, as of and for the fiscal year ended June 30, 2009, 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 8 percent of the assets and 23 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 provided 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 school internal funds were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the St. Lucie County District School Board as of June 30, 2009, 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.

As discussed in Note 2 to the financial statements, the District changed its method of reporting depreciation and discontinued its health and dental self-insurance programs during the 2008-09 fiscal year. This affects the comparability of amounts reported for the 2008-09 fiscal year with amounts reported for the 2007-08 fiscal year.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the St. Lucie 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 8) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 50 through 53) are not required parts 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 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the St. Lucie County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2009. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 9 through 48.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2008-09 fiscal year are as follows:

- In total, net assets increased $26,136,621.90, which represents a 4.6 percent increase from the 2007-08 fiscal year. The change in net assets was the result of an overall decrease in net assets from activities of $12,279,584.13 and a positive effective of $38,416,206.03, from a change in accounting principle.
- General revenues total $348,652,648.62, or 87.8 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $48,291,129.34, or 12.2 percent.
- Expenses total $409,223,362.09. Only $48,291,129.34 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenue by $12,279,584.13.
- The unreserved, undesignated fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totals $10,944,195.03 at June 30, 2009, or 3.8 percent of total General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.

- Component units – The District presents the St. Lucie County Education Foundation, Inc., and Toussaint L'Ouverture International School, Inc., d/b/a Charter School of Fort Pierce, as discretely presented component units. Although legally separate organizations, these component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.
- The St Lucie School Board Leasing Corporation (Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Corporation, the Corporation has been included as an integral part of the primary government.

Fund Financial Statements

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

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

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

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

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

Proprietary Funds: Proprietary funds, such as internal service funds, may be established to account for activities in which a fee is charged for services. The District maintained an internal service fund to report the activities of its self-insurance program, which terminated December 31, 2008. Since these services predominantly benefit 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 agency funds to account for school internal funds which are used to account for moneys collected at the schools in connection with school, student athletic, class, and club activities.

Notes to Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2009, compared to net assets as of June 30, 2008:

Net Assets, End of Year

	Governmental Activities	
	6-30-09	6-30-08
Current and Other Assets	$ 106,655,905.00	$ 146,062,496.00
Capital Assets	869,694,017.07	825,813,078.00
Total Assets	976,349,922.07	971,875,574.00
Long-Term Liabilities	356,762,206.85	365,715,603.00
Other Liabilities	26,285,066.00	38,993,944.00
Total Liabilities	383,047,272.85	404,709,547.00
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	528,314,929.27	484,136,109.00
Restricted	62,693,918.27	71,860,036.00
Unrestricted	2,293,801.68	11,169,882.00
Total Net Assets	$ 593,302,649.22	$ 567,166,027.00

The largest portion of the District's net assets (89 percent) reflects its investment in capital assets (e.g., land, buildings and fixed equipment, furniture, fixtures, and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets (10.6 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (0.4 percent) may be used to meet the District's ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2009, and June 30, 2008, are as follows:

Operating Results for the Year

	Governmental Activities	
	6-30-09	6-30-08
Program Revenues:		
Charges for Services	$ 5,336,377.14	$ 5,415,216.00
Operating Grants and Contributions	22,894,473.81	22,489,234.00
Capital Grants and Contributions	20,060,278.39	73,328,119.00
General Revenues:		
Property Taxes, Levied for Operational Purposes	131,764,303.49	135,436,653.00
Property Taxes, Levied for Capital Projects	38,915,634.60	49,319,529.00
Local Sales Taxes	12,888,563.73	14,629,495.00
Grants and Contributions Not Restricted to Specific Programs	146,141,839.07	158,450,667.00
Unrestricted Investment Earnings	520,981.06	6,675,036.00
Loss Recoveries	8,497,431.90	
Miscellaneous	9,923,894.77	19,448,048.00
Total Revenues	396,943,777.96	485,191,997.00
Functions/Program Expenses:		
Instruction	195,183,506.23	192,151,626.00
Pupil Personnel Services	17,458,161.07	18,068,689.00
Instructional Media Services	5,081,113.19	5,415,428.00
Instruction and Curriculum Development Services	7,214,975.82	8,219,641.00
Instructional Staff Training	7,517,441.97	7,371,237.00
Instruction Related Technology	320,132.55	316,098.00
Board of Education	701,127.40	737,643.00
General Administration	2,731,184.93	3,168,938.00
School Administration	18,849,246.21	19,832,405.00
Facilities Acquisition and Construction	10,292,086.06	15,081,556.00
Fiscal Services	1,631,410.83	1,858,479.00
Food Services	18,087,837.64	18,501,159.00
Central Services	4,110,818.45	4,265,372.00
Pupil Transportation Services	26,532,729.36	29,196,507.00
Operation of Plant	33,624,017.61	33,088,626.00
Maintenance of Plant	9,313,584.69	10,414,457.00
Administrative Technology Services	2,840,838.27	2,613,824.00
Community Services	502,824.79	476,008.00
Interest on Long-Term Debt	17,209,673.11	16,781,490.00
Unallocated Depreciation Expense	30,020,651.91	29,221,181.00
Total Functions/Program Expenses	409,223,362.09	416,780,364.00
Increase (Decrease) in Net Assets	(12,279,584.13)	68,411,633.00
Net Assets Beginning	567,166,027.32	498,754,394.00
Adjustment to Beginning Net Assets	38,416,206.03	
Net Assets Ending	$ 593,302,649.22	$ 567,166,027.00

Significant revenue sources included property and sales taxes (46.2 percent) and State revenues (38 percent). Revenues from State sources for current operation are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Other State revenues are primarily for acquisition, construction, and maintenance of education facilities.

Total revenues declined $88,248,219.04. This occurred, in part, because of a reduction in Classrooms for Kids and Public Education Capital Outlay funding. In addition, because of a reduction in the millage rate, property taxes for capital projects declined.

Instruction expenses continued to be the major component of District outlays, representing 47.7 percent of total expenses. Total expenses decreased $7,557,001.91, or 1.8 percent from the 2007-08 fiscal year. The decrease was primarily attributable to a nearly $5 million decline in facilities acquisition and construction.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unreserved, undesignated fund balance is $10,944,195.03, while the total fund balance is $15,895,822.68. The unreserved, undesignated fund balance decreased by $3,114,681.97, while the total fund balance decreased by $1,662,461.35 during the fiscal year. Key factors in this decrease are as follows:

- Overall revenues decreased by 3.5 percent due mostly to decreased State revenues, due in part to declining enrollment, and a decrease in property tax revenues from declining property values.
- Total expenditures decreased by 4.3 percent over the prior year, but exceeded revenues overall.

The Special Revenue - ARRA Economic Stimulus Fund is used to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA). Because revenue is recognized to the extent that eligible expenditures have been incurred for these Federal grant program resources, the fund does not maintain a fund balance.

The Capital Projects – Capital Improvement Fund has a total fund balance of $23,074,992.27, which is restricted for the acquisition, construction, and maintenance of capital assets. Of the total fund balance, $2,769,686.17 has been encumbered for specific projects. The fund balance decreased by $3,077,129.10 from the prior fiscal year due to decreased tax revenues from declining property values and a reduction in the assessed millage rate.

The Capital Projects – Other Fund has a total fund balance of $25,741,024.35, of which $5,944,258.92 has been encumbered for specific projects. The fund balance decreased by $14,869,261.03 during the year, due to a decrease in sales tax and impact fee revenues resulting from the current economic recession and an increase in expenditures related to the construction of new schools.

Proprietary Funds

The District ended its self-insurance program effective December 31, 2008, and changed to commercial insurance for health, hospitalization, and dental claims as of January 1, 2009. As a result, net assets of the internal service fund totaled $0 at June 30, 2009.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2008-09 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues amounting to $19,293,134.65, or 6.5 percent. At the same time, final appropriations are less than the original budgeted amounts by $17,253,548.25 or 5.5 percent. Budget revisions were generally due to changes in revenue estimates for the State of Florida Education Finance Program (FEFP) and approval of transfers between expenditure functions. The District maintained its ongoing practice of conservative budgeting and monitoring of expenditures in order to increase fund balance for emergencies. Expenditures did not exceed budgeted amounts. The actual ending fund balance exceeded the estimated fund balance contained in the final amended budget by $3,551,889.12.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2009, amounts to $869,694,017.07 (net of accumulated depreciation). This investment in capital assets includes land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures, and equipment; motor vehicles; construction in progress; and audio visual materials and computer software. Major capital asset events during the 2008-09 fiscal year included the replacement of Ft. Pierce Central High School and the opening of Allapattah Flats K-8 School.

Additional information on the District's capital assets can be found in Notes 5 and 16 to the financial statements.

Long-Term Debt

At June 30, 2009, the District had total long-term debt outstanding of $341,521,510.30. During the year, there were no new debt issues, and retirement of debt totaled $10,432,322.12.

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

As previously noted, 38 percent of the District's revenues came from the State of Florida, and 46.2 percent came from property and sales taxes. The State's primary source of revenue is sales tax, which is dependent on consumer spending by residents and tourists. As a result, changes in tourism, employment, and the arrival of new residents into Florida and into St. Lucie County can significantly impact our expected revenues in any given fiscal year. As discussed in previous paragraphs, State and local sales and property tax revenues declined in the 2008-09 fiscal year. At the time these financial statements were prepared, the District was aware of the following circumstances that could significantly affect its financial future.

- Due to declines in State and local revenues, the District implemented a hiring freeze, and subsequently implemented a cost reduction plan that resulted in the closing of two schools, reorganization of alternative education facilities, and a reduction in staff. Management expects that some staff may be added back as a result of the ARRA Stimulus Funds, which will be available to the District for the 2009-10 and 2010-11 fiscal years.
- The District's student enrollment decreased by 1,676 students, or 4.20 percent over the prior year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the St. Lucie County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, St. Lucie County District School Board, 4204 Okeechobee Road, Ft. Pierce, Florida 34947.

BASIC FINANCIAL STATEMENTS

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2009

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	$ 36,853,094.52	$ 264,900.00
Cash with Fiscal Agent	6,062,215.46	
Investments	25,872,581.36	
Accounts Receivable		26,221.00
Deposits Receivable		35,000.00
Due from Other Agencies	31,874,401.04	
Inventories	1,728,190.22	
Deferred Charges	4,265,422.40	
Prepaid Expenses		965.00
Capital Assets:		
Nondepreciable Capital Assets	200,337,749.51	
Depreciable Capital Assets, Net	669,356,267.56	17,697.00
TOTAL ASSETS	$ 976,349,922.07	$ 344,783.00
LIABILITIES		
Salaries and Benefits Payable	$ 9,334,214.85	$ 19,313.00
Payroll Deductions and Withholdings	1,655,741.76	9,231.00
Accounts Payable	4,414,647.13	68,684.00
Construction Contracts Payable - Retainage	192,173.57	
Accrued Interest Payable	1,944,722.34	
Due to Other Agencies	876,563.25	
Unearned Revenue	7,717,003.10	
Estimated Insurance Claims Payable	150,000.00	
Long-Term Liabilities:		
Portion Due Within One Year	12,783,082.29	
Portion Due After One Year	343,979,124.56	
Total Liabilities	383,047,272.85	97,228.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	528,314,929.27	17,697.00
Restricted for:		
State Categorical Programs	487,249.96	
Debt Service	1,546,119.74	
Capital Projects	58,263,274.86	
Fuel Tax Refunds	813,385.52	
Food Service	400,199.32	39,339.00
Self-Insurance	1,183,688.87	
Unrestricted	2,293,801.68	190,519.00
Total Net Assets	593,302,649.22	247,555.00
TOTAL LIABILITIES AND NET ASSETS	$ 976,349,922.07	$ 344,783.00

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

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Functions/Programs				
Primary Government				
Governmental Activities:				
Instruction	$ 195,183,506.23	$	$	$
Pupil Personnel Services	17,458,161.07			
Instructional Media Services	5,081,113.19			
Instruction and Curriculum Development Services	7,214,975.82			
Instructional Staff Training Services	7,517,441.97			
Instruction Related Technology	320,132.55			
Board of Education	701,127.40			
General Administration	2,731,184.93			
School Administration	18,849,246.21			
Facilities Acquisition and Construction	10,292,086.06			8,156,618.14
Fiscal Services	1,631,410.83			
Food Services	18,087,837.64	5,336,377.14	12,424,386.81	
Central Services	4,110,818.45			
Pupil Transportation Services	26,532,729.36		10,470,087.00	
Operation of Plant	33,624,017.61			
Maintenance of Plant	9,313,584.69			10,974,477.00
Administrative Technology Services	2,840,838.27			
Community Services	502,824.79			
Interest on Long-Term Debt	17,209,673.11			929,183.25
Unallocated Depreciation Expense	30,020,651.91			
Total Primary Government	$ 409,223,362.09	$ 5,336,377.14	$ 22,894,473.81	$ 20,060,278.39
Component Units:				
Charter School/Foundation	$ 1,072,672.00	$ 0.00	$ 379,883.00	$ 0.00

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

Total General Revenues

Change in Net Assets

Net Assets - Beginning
Adjustment to Beginning Net Assets

Net Assets - Beginning, Restated

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government Governmental Activities	Component Units
$ (195,183,506.23)	$
(17,458,161.07)	
(5,081,113.19)	
(7,214,975.82)	
(7,517,441.97)	
(320,132.55)	
(701,127.40)	
(2,731,184.93)	
(18,849,246.21)	
(2,135,467.92)	
(1,631,410.83)	
(327,073.69)	
(4,110,818.45)	
(16,062,642.36)	
(33,624,017.61)	
1,660,892.31	
(2,840,838.27)	
(502,824.79)	
(16,280,489.86)	
(30,020,651.91)	
(360,932,232.75)	
	(692,789.00)
131,764,303.49	
38,915,634.60	
12,888,563.73	
146,141,839.07	742,029.00
520,981.06	4,094.00
8,497,431.90	
9,923,894.77	
348,652,648.62	746,123.00
(12,279,584.13)	53,334.00
567,166,027.32	190,400.00
38,416,206.03	3,821.00
605,582,233.35	194,221.00
$ 593,302,649.22	$ 247,555.00

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2009

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
ASSETS			
Cash and Cash Equivalents	$ 5,466,813.11	$	$ 23,050,372.75
Cash with Fiscal Agent	1,333,688.87		
Investments	22,061,489.58		3,138,876.74
Due from Other Funds	2,977,629.07	351.58	19,666,340.76
Due from Other Agencies	3,319,423.94	264,880.43	13,153.72
Inventories	1,031,699.05		
TOTAL ASSETS	$ 36,190,743.62	$ 265,232.01	$ 45,868,743.97
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	$ 8,800,683.83	$ 107,543.02	$ 2,822.43
Payroll Deductions and Withholdings	1,542,541.00		5,806.15
Accounts Payable	1,357,969.14	65,759.60	281,546.90
Construction Contracts Payable - Retainage			139,808.12
Due to Other Funds	5,457,766.80	91,929.39	22,363,768.10
Due to Other Agencies	48,837.00		
Deferred Revenue	2,937,123.17		
Estimated Insurance Claims Payable	150,000.00		
Total Liabilities	20,294,920.94	265,232.01	22,793,751.70
Fund Balances:			
Reserved for State Categorical Programs	487,249.96		
Reserved for Encumbrances	585,267.44		2,769,686.17
Reserved for Inventories	1,031,699.05		
Reserved for Debt Service			
Reserved for Fuel Tax Refunds	813,385.52		
Reserved for Self-Insurance	1,183,688.87		
Unreserved:			
Designated for Contingencies	850,336.81		
Undesignated, Reported in:			
General Fund	10,944,195.03		
Capital Projects Funds			20,305,306.10
Total Fund Balances	15,895,822.68		23,074,992.27
TOTAL LIABILITIES AND FUND BALANCES	$ 36,190,743.62	$ 265,232.01	$ 45,868,743.97

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$ 5,210,857.41	$ 3,125,051.25	$ 36,853,094.52
	4,728,526.59	6,062,215.46
511,310.37	160,904.67	25,872,581.36
22,417,369.49	260,344.73	45,322,035.63
18,003,703.67	10,273,239.28	31,874,401.04
	696,491.17	1,728,190.22
$ 46,143,240.94	$ 19,244,557.69	$ 147,712,518.23
$ 59,632.04	$ 363,533.53	$ 9,334,214.85
64,111.40	43,283.21	1,655,741.76
489,500.76	2,219,870.73	4,414,647.13
50,146.63	2,218.82	192,173.57
14,983,307.23	2,425,264.11	45,322,035.63
	827,726.25	876,563.25
4,755,518.53	24,361.40	7,717,003.10
		150,000.00
20,402,216.59	5,906,258.05	69,662,379.29
		487,249.96
5,944,258.92	1,377,941.83	10,677,154.36
		1,031,699.05
	3,486,842.08	3,486,842.08
		813,385.52
		1,183,688.87
		850,336.81
		10,944,195.03
19,796,765.43	8,473,515.73	48,575,587.26
25,741,024.35	13,338,299.64	78,050,138.94
$ 46,143,240.94	$ 19,244,557.69	$ 147,712,518.23

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total Fund Balances - Governmental Funds		$ 78,050,138.94
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.		869,694,017.07
Debt issuance costs are not expensed in the government-wide statements but are reported as deferred charges and amortized over the life of the related debt.		4,265,422.40
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:		
Certificates of Participation Payable	$ 209,339,204.24	
Bonds Payable	132,039,883.56	
Notes Payable	142,422.50	
Other Postemployment Benefits Payable	5,857,269.00	
Compensated Absences Payable	9,383,427.55	(356,762,206.85)
Interest on long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the governmental funds until due.		(1,944,722.34)
Total Net Assets - Governmental Activities		$ 593,302,649.22

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

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ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Capital Projects - Local Capital Improvement Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 253,370.41	$	$
Federal Through State and Local	2,288,756.73	264,880.43	
State	131,475,589.22		
Local:			
Property Taxes	131,764,303.49		38,915,634.60
Local Sales Taxes			
Charges for Services - Food Service			
Impact Fees			
Miscellaneous	10,384,895.54		36,015.89
Total Revenues	276,166,915.39	264,880.43	38,951,650.49
Expenditures			
Current - Education:			
Instruction	169,465,032.67	203,239.28	
Pupil Personnel Services	16,622,751.26		
Instructional Media Services	5,058,406.25		
Instruction and Curriculum Development Services	3,122,592.32	5,000.00	
Instructional Staff Training Services	2,841,530.30	3,390.99	
Instruction Related Technology	318,693.98		
Board of Education	697,977.19		
General Administration	2,208,332.27	5,007.41	
School Administration	18,654,731.86		
Facilities Acquisition and Construction	982,270.22		1,675,036.51
Fiscal Services	1,623,958.09		
Food Services			
Central Services	3,995,352.13		
Pupil Transportation Services	19,823,812.41		
Operation of Plant	33,465,265.79		
Maintenance of Plant	9,271,782.86		
Administrative Technology Services	2,828,088.13		
Community Services	101,598.43		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	12,220.20		15,578,611.22
Other Capital Outlay	146,840.74	48,242.75	4,416,148.04
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	291,241,237.10	264,880.43	21,669,795.77
Excess (Deficiency) of Revenues Over Expenditures	(15,074,321.71)		17,281,854.72
Other Financing Sources (Uses)			
Transfers In	12,427,749.00		
Proceeds from Sale of Capital Assets	201,557.50		
Loss Recoveries	1,654,278.18		22,490.53
Transfers Out	(871,724.32)		(20,381,474.35)
Total Other Financing Sources (Uses)	13,411,860.36		(20,358,983.82)
Net Change in Fund Balances	(1,662,461.35)		(3,077,129.10)
Fund Balances, Beginning	17,558,284.03		26,152,121.37
Fund Balances, Ending	$ 15,895,822.68	$ 0.00	$ 23,074,992.27

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$	$ 33,566.33	$ 286,936.74
	34,230,048.35	36,783,685.51
6,549,750.40	12,936,182.37	150,961,521.99
		170,679,938.09
12,888,563.73		12,888,563.73
	5,336,377.14	5,336,377.14
1,064,447.03		1,064,447.03
846,146.04	100,272.49	11,367,329.96
21,348,907.20	52,636,446.68	389,368,800.19
	10,626,916.96	180,295,188.91
	756,960.41	17,379,711.67
		5,058,406.25
	4,055,017.38	7,182,609.70
	4,638,808.97	7,483,730.26
		318,693.98
		697,977.19
	505,572.47	2,718,912.15
	109,828.56	18,764,560.42
3,671,694.25	3,963,085.08	10,292,086.06
	121.74	1,624,079.83
	18,006,104.33	18,006,104.33
	97,000.61	4,092,352.74
	699,129.33	20,522,941.74
	7,664.36	33,472,930.15
		9,271,782.86
		2,828,088.13
	398,966.83	500,565.26
16,855,141.97	5,258,352.91	37,704,326.30
3,231,594.45	1,492,437.73	9,335,263.71
	10,432,322.12	10,432,322.12
	17,039,613.63	17,039,613.63
23,758,430.67	78,087,903.42	415,022,247.39
(2,409,523.47)	(25,451,456.74)	(25,653,447.20)
	27,234,126.10	39,661,875.10
	120,972.92	322,530.42
6,820,663.19		8,497,431.90
(19,280,400.75)		(40,533,599.42)
(12,459,737.56)	27,355,099.02	7,948,238.00
(14,869,261.03)	1,903,642.28	(17,705,209.20)
40,610,285.38	11,434,657.36	95,755,348.14
$ 25,741,024.35	$ 13,338,299.64	$ 78,050,138.94

ST. LUCIE 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, 2009

Net Change in Fund Balances - Governmental Funds		$ (17,705,209.20)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.		
Capital Outlay - Facilities, Acquisition, and Construction - Governmental Funds	$ 37,704,326.30	
Capital Outlay - Other Capital Outlay - Governmental Funds	9,335,263.71	
Less: Depreciation Expense	(32,359,150.77)	14,680,439.24
The statement of activities reflects only the loss on the sale of assets, whereas the governmental funds include all proceeds from these sales. Thus, the change in net assets differs from the change in fund balances by the cost of assets sold.		(1,290,709.44)
The beginning capital assets balance was adjusted in the current period to correct prior year errors.		(7,924,996.14)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net assets. This is the amount of repayments in the current period.		
Certificates of Participation	5,215,000.00	
Bonds	5,025,000.00	
Notes	134,417.50	
Installment-Purchases	57,904.62	10,432,322.12
Debt issuance costs are reported in the year the debt is issued as an expenditure in the governmental funds; these costs are reported in the government-wide statements as an asset and are amortized over the life of the associated debt.		
Deferred Charges, June 30, 2009	4,265,422.40	
Deferred Charges, June 30, 2008	(4,506,679.00)	(241,256.60)
Premiums and discounts are reported in the governmental funds in the year debt is issued, but are deferred and amortized over the life of the debt in the government-wide statements.		
Premium Amortization	167,967.41	
Discount Amortization	(156,770.10)	11,197.31
Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as an expense when interest accrues in the statement of activities. This is the amount of accrued interest at year-end, less that amount accrued in the prior year.		
Accrued Interest, June 30, 2009	(1,944,722.34)	
Accrued Interest, June 30, 2008	2,004,722.15	59,999.81
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences earned in excess of the amount paid in the current period.		(292,543.94)
Other postemployment benefits are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in other postemployment benefits liability for the current fiscal year.		(1,197,578.00)
Internal service funds are used by management to charge certain activities, such as insurance, to individual funds. The net expense of the internal service fund is reported with governmental activities.		(8,811,249.29)
Change in Net Assets - Governmental Activities		$ (12,279,584.13)

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

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
June 30, 2009

	Governmental Activities - Internal Service Fund
TOTAL ASSETS	$ 0.00
LIABILITIES	
NET ASSETS	
TOTAL LIABILITIES AND NET ASSETS	$ 0.00

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

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2009

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Premium Revenues	$ 17,377,604.14
Other Operating Revenues	227,318.96
Total Operating Revenues	17,604,923.10
OPERATING EXPENSES	
Insurance Claims	(27,333,621.60)
Operating Loss	(9,728,698.50)
NONOPERATING REVENUES	
Interest	45,724.89
Loss Before Transfers	(9,682,973.61)
Transfers In	871,724.32
Change in Net Assets	(8,811,249.29)
Total Net Assets - Beginning	8,811,249.29
Total Net Assets - Ending	$ 0.00

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

ST. LUCIE COUNTY DISTRICT SCHOOL BOARD STATEMENT OF CASH FLOWS - PROPRIETARY FUND For the Fiscal Year Ended June 30, 2009

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Services	$ 13,413,853.10
Cash Payments for Insurance Claims	(27,333,621.60)
Net Cash Used by Operating Activities	(13,919,768.50)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from Other Funds	871,724.32
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	45,724.89
Net Decrease in Cash and Cash Equivalents	(13,002,319.29)
Cash and Cash Equivalents, Beginning	13,002,319.29
Cash and Cash Equivalents, Ending	$ 0.00

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	$ (9,728,698.50)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Decrease in Salaries and Benefits Payable	(4,030.00)
Decrease in Estimated Insurance Claims Payable	(4,187,040.00)
Total Adjustments	(4,191,070.00)
Net Cash Provided Used by Operating Activities	$ (13,919,768.50)

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

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2009

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 1,780,791
LIABILITIES	
Internal Accounts Payable	$ 1,780,791

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

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➢ Reporting Entity

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

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any 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 Unit. The St. Lucie School Board Leasing Corporation, Inc. (Corporation), was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 7. Due to the substantive economic relationship between the St. Lucie 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 column in the government-wide financial statements, includes the financial data of the District's other component units.

  The St. Lucie County Education Foundation, Inc. (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property and to make expenditures to and for the benefit of the District. Because of the nature and significance of its relationship with the District, the Foundation is considered a component unit.

  The Toussaint L'Ouverture International School, Inc., d/b/a Charter School of Fort Pierce (Charter School), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter school operates under a charter approved by its sponsor, the St. Lucie County District School Board. The charter school is considered to be a component unit of the District since it is fiscally dependent on the District to levy taxes for its support. The 2008-09 fiscal year was the first year of the inclusion of the charter school as a component unit. The beginning net assets of the component unit's column were increased by $3,821 as a result of including the charter school as a component unit. On November 10, 2009, the Board held a public hearing and voted unanimously to terminate the charter. The school is closed, with the students' last day November 24, 2009.

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

The financial data reported on the accompanying statements was derived from the Foundation's and charter school's audited financial statements for the fiscal year ended June 30, 2009. The audit reports are filed in the District's administrative offices.

The District also considered the Palm Pointe Educational Research School at Tradition operated by Florida Atlantic University (FAU) for inclusion in its reporting entity; however, because the Palm Pointe Educational Research School at Tradition is an operating component unit of FAU and is not a separate legal entity, it does not meet the criteria for inclusion as a District component unit.

- **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.

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. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the pupil transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

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 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 interfund services provided and used.

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- 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

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

needs, including new construction, renovation and remodeling projects, and debt service payments for the District's certificates of participation.

- Capital Projects – Other Fund – to account for other financial resources generated by impact fees; issuance of certificates of participation, Sales Tax Revenue Bonds, and other debt; Classrooms First funds to be used for educational capital outlay needs, including new construction and remodeling and renovation projects; and repair and remediation of damage caused by hurricanes Frances, Jeanne, and Wilma, and Tropical Storm Fay, along with associated insurance loss recoveries.

Additionally, the District reports the following proprietary and fiduciary fund types:

- Internal Service Fund – to account for the District's individual self-insurance program. During the 2008-09 fiscal year the District closed the internal service fund and transferred activities to the General Fund.

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

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 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, with exception of insurance loss recoveries, which the District considers to be available if collection is expected. 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, other postemployment benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

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 of the District's internal service funds are charges for employee health insurance premiums. Operating expenses include insurance

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JUNE 30, 2009

claims. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The St. Lucie County Education Foundation, Inc., and The Toussaint L'Ouverture International School, Inc., d/b/a Charter School of Fort Pierce, are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

- **Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of three months or less. Investments classified as cash and cash equivalents include money market accounts and amounts placed with the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which, effective July 1, 2009, is known as Florida PRIME.

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

Investments consist of amounts placed in SBA Debt Service accounts for investment of debt service moneys, amount placed in SBA LGIP, and those made locally. The investment pools operate under investment guidelines established by Section 215.47, Florida Statutes.

The District's investments in LGIP, which SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, 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.

Investments made locally consist of United States Treasury Obligations, Obligations of United States Government Agencies and Instrumentalities, and money market funds and 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. Inventories are stated at cost on the weighted moving average 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.

- **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 $1,000. 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Estimated Lives
Improvements Other than Buildings	8 - 50 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	5 years

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

- **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets. Bond and certificates of participation premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method, which does not differ materially from the effective interest method. Bonds and certificates of participation payable are reported net of the applicable premium or discount.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements.

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

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

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

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

- **District Property Taxes**

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

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

The School Board adopted the 2008 tax levy on September 9, 2008. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

- **Capital Outlay Surtax**

In October 2005, the voters of St. Lucie County approved a one-half cent school capital outlay surtax on sales in the County for 10 years, effective January 1, 2006, to pay construction costs of certain school facilities and related costs in accordance with Section 212.055(6), Florida Statutes.

- **Educational Impact Fee**

St. Lucie County imposes an educational impact fee based on an ordinance adopted by the County Commission. The educational impact fee is collected by the County for most new residential construction. The fees are collected by the County and each municipality within the County based on an interlocal agreement. The fees shall be used solely for the purpose of providing capital

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improvements to the public educational system necessitated by new residential development, and shall not be used for any expenditure that would be classified as a maintenance or repair expense. The authorized uses include, but are not limited to, land acquisition; facility design and construction costs; furniture and equipment; and payment of principal, interest, and related costs of indebtedness necessitated by new residential development. Because the educational impact fee is similar to a capital-type special assessment, it is reported as a program revenue in the government-wide financial statements.

- **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. ACCOUNTING CHANGES

The District previously calculated depreciation on tangible personal property, vehicles, and audio visual materials and computer software using the weighted average composite method. During the 2008-09 fiscal year, the District changed its capital asset accounting software and began calculating depreciation on these assets using the straight-line method. The District believes this is a more appropriate and more accurate depreciation method because it allows for specific identification and depreciation of each individual asset, rather than depreciation by asset classes, which may contain dissimilar assets. This change had the effect of reducing the District's reported accumulated depreciation on these classes of assets by $38,416,206.03, thereby increasing net assets.

The District previously accounted for its group health and dental insurance programs in an internal service fund. On January 1, 2009, the District changed the method of coverage from self-insurance to commercial insurance and began accounting for new commercially insured programs in the General Fund. At June 30, 2009, the internal service fund had zero net assets and was closed.

3. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

4. INVESTMENTS

As of June 30, 2009, the District has the following investments and maturities:

Investments	Maturities	Fair Value
State Board of Administration (SBA):		
Local Government Surplus Funds Trust		
Fund Investment Pool (LGIP) (1)(2)	46 Day Average	4,495,559.38
Debt Service Accounts	6 Months	160,904.67
United States Treasury Bills	July 2009	18,437,602.80
Federal Home Loan Bank (FHLB) Discount Note	July 2009	6,000,000.00
Reserve Primary Fund	(3)	1,274,073.89
Fidelity Institutional United States Treasury Money Market (1)	48 Day Average	21,349,989.94
First American Funds Money Market (1)(2)	45 Day Average	459,734.21
Total Investments, Primary Government		$ 52,177,864.89

Notes:

(1) Classified as cash and cash equivalents.

(2) Pursuant to trust agreements in connection with financing arrangements for the District's Certificates of Participation, Series 2004, Series 2005, and Series 2007, the trustee holds all or part of these investments in trust accounts as follows: LGIP $4,037,946.96 and First American Funds Money Market $459,734.21

(3) At June 30, 2009, the Reserve Primary Fund was in liquidation status pending certain legal actions. Fair market value is shown as of June 8, 2009, when an order made by the Securities and Exchange Commission (SEC) concerning the distribution of fund assets to shareholders on pro rata basis was filed with the United States District Court. The final distribution of assets per the Court's order was made in January 2010.

Interest Rate Risk

- The District's investment policy encourages investment maturities that match known cash flow needs and anticipated cash flow requirements as a means of managing its exposure to fair value losses from increasing interest rates. Investment of current operating funds shall have maturities no longer than two years. Investment of bond reserves, construction funds, and other nonoperating funds shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five years.
- LGIP has a weighted average days to maturity (WAM) of 46 days at June 30, 2009. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes.

Credit Risk

- The District's investment policy limits investments to SBA LGIP, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes; United States Government securities, obligations of United States Government

ST. LUCIE COUNTY
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Agencies and Instrumentalities; interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, Florida Statutes; SEC registered money market funds with the highest rating from at least one nationally recognized statistical rating organization and an average weighted maturity of 90 days or less; and certain repurchase agreements, commercial paper, bankers' acceptances, and state or local government taxable or tax-exempt debt, subject to various limitations.

- The District's investments in the SBA 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 SBA for managing credit risk for this account.
- As of June 30, 2009, the District's investment in LGIP is rated AAAm by Standard & Poor's. The District's investment in United States Treasury Bills and the FHLB Discount Note are unrated. The First American Funds Money Market Funds are rated AAAm by Standard & Poor's. Fidelity Institutional United States Treasury Money Market Funds have underlying investments in United States Treasury Bills, Notes, and Agency securities and is rated AAAm by Standard & Poor's.

Custodial Credit Risk

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

Concentration of Credit Risk

- The District's investment policy limits the amounts that may be invested in any one issuer to from 25 percent to 100 percent of available funds, depending on investment type. For United States Government sponsored agencies no limit is placed on the amount of investments in this investment type; however, a maximum of 50 percent of the available investment funds may be invested in one issuer.
- The District's investments in FHLB discount notes are 11 percent of the total investments and 27 percent of the investments in the General Fund.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Adjustments	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES					
Capital Assets Not Being Depreciated:					
Land	$ 40,020,578.31	$	$	$	$ 40,020,578.31
Land Improvements - Nondepreciable	915,153.72		60,652.63		975,806.35
Construction in Progress	193,688,538.71		13,712,302.26	48,059,476.12	159,341,364.85
Total Capital Assets Not Being Depreciated	234,624,270.74		13,772,954.89	48,059,476.12	200,337,749.51
Capital Assets Being Depreciated:					
Improvements Other Than Buildings	12,873,226.24		586,532.40		13,459,758.64
Buildings and Fixed Equipment	682,365,151.90		71,258,973.19		753,624,125.09
Furniture, Fixtures, and Equipment (1)	52,400,300.89	(3,473,901.03)	3,052,153.49	4,067,476.18	47,911,077.17
Motor Vehicles (1)	34,095,518.09	(3,578,669.84)	3,655,182.00	2,022,629.35	32,149,400.90
Audio Visual Materials and Computer Software (1)	12,388,696.08	(872,425.27)	2,773,270.16	760,021.35	13,529,519.62
Total Capital Assets Being Depreciated	794,122,893.20	(7,924,996.14)	81,326,111.24	6,850,126.88	860,673,881.42
Less Accumulated Depreciation for:					
Improvements Other Than Buildings	3,226,661.45		836,802.52		4,063,463.97
Buildings and Fixed Equipment	115,049,638.57		20,953,927.68		136,003,566.25
Furniture, Fixtures, and Equipment (2)	44,892,043.68	(19,818,085.72)	5,554,920.09	2,890,987.90	27,737,890.15
Motor Vehicles (2)	29,772,483.90	(16,326,405.50)	3,015,110.48	2,022,629.35	14,438,559.53
Audio Visual Materials and Computer Software (2)	9,993,258.96	(2,271,714.81)	1,998,390.00	645,800.19	9,074,133.96
Total Accumulated Depreciation	202,934,086.56	(38,416,206.03)	(32,359,150.77)	5,559,417.44	191,317,613.86
Total Capital Assets Being Depreciated, Net	591,188,806.64	(30,491,209.89)	48,966,960.47	1,290,709.44	669,356,267.56
Governmental Activities Capital Assets, Net	$ 825,813,077.38	$ (30,491,209.89)	$ 62,739,915.36	$ 49,350,185.56	$ 869,694,017.07

Notes:

(1) The District implemented a new software program to track capital assets. During the conversion process, the District adjusted its accounting records to reflect the subsidiary detail.

(2) The District changed its method of depreciation from the composite method to the straight-line. See Note 2.

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Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	$ 2,338,498.86
Unallocated	30,020,651.91
Total Depreciation Expense - Governmental Activities	$ 32,359,150.77

6. NOTES PAYABLE

Notes payable are comprised of the following:

St. Lucie County Interlocal Notes	Balance at 6-30-09
$410,000, Issued by St. Lucie County 6-30-2000, Under Provisions of a Board of County Commissioners Resolution Issued June 13, 2000, Pursuant to Chapter 125, Part I, Florida Statutes, and St. Lucie County Ordinance No. 87-77. Interest Rate 6.56 Percent. Proceeds Used for Construction of South County Regional Stadium. Matures February 1, 2010. See Note 17.	$ 52,305.00
$731,062.67, Issued by St. Lucie County 4-20-2000, Under Provisions of a Board of County Commissioners Resolution, Issued April 4, 2000, Pursuant to Chapter 125, Part I, Florida Statutes, and St. Lucie County Ordinance No. 87-77. Interest Rate of 5.50 percent. Proceeds Used for Acquisition, Construction, and Installation of an 800 MHz Radio System for Use by the County, School Board, and Other Municipalities.	90,117.50
Total Notes Payable	$ 142,422.50

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

Fiscal Year Ending June 30	Total	Principal	Interest
2010	$ 150,810.16	$ 142,422.50	$ 8,387.66

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

7. CERTIFICATES OF PARTICIPATION

District entered into a financing arrangement on August 21, 2001, which arrangement was characterized as a lease-purchase agreement, with the St. Lucie School Board Leasing Corporation (Corporation) whereby the District secured funding in the amount of $70,400,000 to partially refund its Certificates of Participation, Series l995, and Series 2000, and secure financing of various educational facilities. The financing was accomplished through the issuance of Certificates of Participation, Series 2001 A, B, and C, to be repaid from the proceeds of rents by the District.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Corporation, with a rental fee of $10 per year. The initial term of the lease is 32 years commencing on July 15, 2001. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the certificates for a period of time specified by the lease arrangement which may be up to 32 years from the inception of the arrangement. The District properties included in the ground lease under this arrangement include renovation and improvement of the Administration Building, Fairlawn Elementary School, Frances K. Sweet Elementary School, Dan McCarty Middle School, and Ft. Pierce Magnet School of the Arts.

The District entered into a financing arrangement on April 4, 2003, which arrangement was characterized as a lease-purchase agreement, with the Corporation, whereby the District secured funding in the amount of $34,805,000 to refund the remaining portion of its Certificates of Participation, Series 1993, which were partially refunded by the issuance of Certificates of Participation, Series 2001A, B, and C (described above). The financing was accomplished through the issuance of Certificates of Participation, Series 2003A, to be repaid from the proceeds of rents by the District.

As a condition of this financing arrangement, the District has given a ground lease on District property to the Corporation, with a rental fee of $10 per year. The initial term of the lease is 30 years commencing on July 1, 2003. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the certificates for a period of time specified by the lease arrangement which may be up to 30 years from the inception of the arrangement. The District properties included in the ground lease under this arrangement include Southport Middle School, Forest Grove Middle School, Manatee Elementary School, Rivers Edge Elementary School, Savanna Ridge Elementary School, Southern Oaks Middle School, Lincoln Park Academy Addition, Dan McCarty Middle School Addition, St. Lucie Elementary School Addition, and the Maintenance/Transportation Complex.

ST. LUCIE COUNTY DISTRICT SCHOOL BOARD NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2009

The District entered into financing arrangements on April 30, 2004, which arrangements were characterized as lease-purchase agreements, with the Corporation, whereby the District secured funding in the amount of $75,580,000 and $1,277,000, respectively, for various educational facilities and technology-related equipment. The financing was accomplished through the issuance of Certificates of Participation, Series 2004A, and Series 2004-QZAB, to be repaid from the proceeds of rents by the District. The Series 2004-QZAB is a Qualified Zone Academy Bond issue not subject to interest.

As a condition of these financing arrangements, the District has given a ground lease on District property to the Corporation, with a rental fee of $10 per year. The initial term of the Series 2004A Certificates is 26 years commencing on April 15, 2004. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the certificates for a period of time specified by the lease arrangement which may be up to 30 years from the inception of the arrangement. The District properties included in the ground lease under the Series 2004A Certificates include Oak Hammock K-8 School and Treasure Coast High School; the ground lease under the 2004-QZAB Certificates includes technology-related equipment at 19 District schools.

The District entered into a financing arrangement on September 21, 2005, which arrangement was characterized as a lease-purchase agreement, with the Corporation whereby the District secured financing of various educational facilities in the total amount of $38,600,000. The financing was accomplished through the issuance of Certificates of Participation, Series 2005, to be repaid from the proceeds of rents by the District.

As a condition of this financing arrangement, the District has given a ground lease on District property to the Corporation, with a rental fee of $10 per year. The initial term of the lease is 23 years commencing on September 1, 2005. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the certificates for a period of time specified by the lease arrangement which may be up to 30 years from the inception of the arrangement. The District properties included in the ground lease under this arrangement include Westgate K-8 School and improvements to Treasure Coast High School.

The District entered into a financing arrangement on January 1, 2007, which was characterized as a lease-purchase agreement with the Corporation, whereby the District secured funding in the amount of $21,865,000 for the planning and construction of the Treasure Coast University Charter School (called Palm Pointe Educational Research School at Tradition). The financing was accomplished through the issuance of Certificates of Participation, Series 2007, to be repaid from the proceeds of rents by the District.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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As a condition of this financing arrangement, the District has given a ground lease on District property to the Corporation, with a rental fee of $10 per year. The initial term of the lease is 25 years commencing on January 31, 2007. The properties covered by arrangement the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the lease and to provide for the rent payments through to term, the District may be required to surrender the sites included under the Ground Lease Agreement for the benefit of the securers of the certificates for a period of time specified by the lease arrangement which may be up to 30 years from the inception of the arrangement. The District property included in the ground lease under this arrangement includes the Treasure Coast University Charter School.

In connection with this financing arrangement, the District entered into an Education Facilities Lease Purchase Agreement with the FAU-Treasure Coast University Schools, Inc. (TCUS), a Florida not-for-profit corporation authorized and created by Florida Atlantic University, for the purpose of facilitating the acquisition, construction, and operation of TCUS, as sublessee. The term of the sublease commences on January 31, 2007, through June 30, 2021. In accordance with the sublease, the District will construct the Treasure Coast University Charter School. During the term of the sublease, TCUS will remit Charter School Capital Funds to the Trustee directly for deposit to the TCUS Revenue Fund.

The lease payments are payable by the District, semiannually, on July 1 and January 1 at fixed interest rates ranging from 3.50 to 4.50 percent for the 2007 Series; 3.00 to 5.00 percent for the 2005 Series; 3.00 to 5.00 percent for the 2004A Series; 2.60 to 5.12 percent for the 2003A Series; and from 4.125 to 5.500 percent for the 2001 Series.

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

Fiscal Year Ending June 30	Total	Principal	Interest
2010	$ 15,420,700.04	$ 5,565,000.00	$ 9,855,700.04
2011	16,010,325.04	6,360,000.00	9,650,325.04
2012	16,007,976.26	6,590,000.00	9,417,976.26
2013	16,009,590.64	6,840,000.00	9,169,590.64
2014	16,007,133.77	7,115,000.00	8,892,133.77
2015-2019	80,041,731.30	41,055,000.00	38,986,731.30
2020-2024	81,330,556.30	53,237,000.00	28,093,556.30
2025-2029	79,965,640.63	65,705,000.00	14,260,640.63
2030-2033	20,454,762.50	19,305,000.00	1,149,762.50
Total Minimum Lease Payments	341,248,416.48	211,772,000.00	129,476,416.48
Less: Unamortized Net Discount	(2,432,795.76)	(2,432,795.76)	
Total Certificates of Participation	$ 338,815,620.72	$ 209,339,204.24	$ 129,476,416.48

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

8. BONDS PAYABLE

Bonds payable at June 30, 2009, are as follows:

Bond Type	Original Amount	Balance 6-30-09	Interest Rates (Percent)	Annual Maturity To
State School Bonds:				
Series 1999A	$ 640,000	$ 480,000	4.375 - 4.750	2019
Series 2002B	1,770,000	1,025,000	4.000 - 5.375	2014
Series 2003A	800,000	640,000	3.00 - 4.25	2023
Series 2005A	4,215,000	3,320,000	4.0 - 5.0	2017
Series 2005B	570,000	525,000	5.0	2018
Sales Tax Revenue Bonds:				
Series 2001	3,370,000	2,905,000	4.3 - 5.0	2031
Series 2006	128,740,000	120,265,000	3.700 - 4.994	2027
Total Bonds Payable	$ 140,105,000	$ 129,160,000		

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

- **State School Bonds**

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

- **Sales Tax Revenue Bonds**

  - Series 2001 (Pari-Mutuel Revenues Replacement Program)

    These bonds are authorized by Chapters 67-1996 and 76-480, Laws of Florida, Section 212.20, Florida Statutes; Chapters 230, 235, 236, and 550, and a resolution adopted by the St. Lucie County District School Board on June 12, 2001. These bonds are secured by pari-mutuel replacement revenues distributed annually to St. Lucie County from the State pursuant to Section 212.20 (6)(d)7.a., Florida Statutes, as a replacement for moneys distributed under Section 550.135, Florida Statutes, prior to July 1, 2000.

  - Sales Tax Revenue Bonds Series 2006

    These bonds are authorized by Chapters 212, 1001, 1011, and 1013 Florida Statutes; and a resolution adopted by the Board on May 23, 2006. These bonds are secured by a pledge of the proceeds received by the District from the levy and collection of the one-half cent discretionary sales surtax revenues originally approved by referendum of the voters of St. Lucie County on March 12, 1996, and extended by the voters on October 18, 2005, through December 31, 2026. The sales tax collections began on July 1, 2006, and will be in place for twenty years, through December 2026. The sales tax was projected to generate at least $320,035,349, or 248.59 percent of the principal over the twenty years. Current projections indicate the total revenues will be

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

approximately $257,294,638. Remaining principal balance for the Sales Tax Revenue Bond Series 2006 is $120,265,000. Total sales tax revenue earned through June 30, 2009, is $42,050,422 with $12,888,564 received during the 2008-09 fiscal year. For the 2008-09 fiscal year, principal and interest paid were $4,320,000 and $5,779,665, respectively for a total of $10,099,665.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2010	$ 960,858.75	$ 670,000.00	$ 290,858.75
2011	977,652.50	720,000.00	257,652.50
2012	981,940.00	760,000.00	221,940.00
2013	996,965.00	810,000.00	186,965.00
2014	991,465.00	845,000.00	146,465.00
2015-2019	2,184,725.00	1,935,000.00	249,725.00
2020-2023	277,337.50	250,000.00	27,337.50
Total State School Bonds	7,370,943.75	5,990,000.00	1,380,943.75
Sales Tax Revenue Bonds:			
2010	10,217,550.00	4,570,000.00	5,647,550.00
2011	10,207,610.00	4,775,000.00	5,432,610.00
2012	10,228,987.50	5,000,000.00	5,228,987.50
2013	10,206,235.00	5,185,000.00	5,021,235.00
2014	10,186,532.50	5,410,000.00	4,776,532.50
2015-2019	50,933,173.14	30,820,000.00	20,113,173.14
2020-2024	50,665,073.14	38,600,000.00	12,065,073.14
2025-2029	30,716,425.00	28,400,000.00	2,316,425.00
2030-2031	441,000.00	410,000.00	31,000.00
Subtotal Sales Tax Revenue Bonds	183,802,586.28	123,170,000.00	60,632,586.28
Plus Unamortized Net Premium	2,879,883.56	2,879,883.56	
Total Sales Tax Revenue Bonds	186,682,469.84	126,049,883.56	60,632,586.28
Total Bonds	$ 194,053,413.59	$ 132,039,883.56	$ 62,013,530.03

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

9. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009	Due In One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	$ 216,987,000.00	$	$ 5,215,000.00	$ 211,772,000.00	$ 5,565,000.00
Less: Unamortized Net Discount	(2,589,565.86)		(156,770.10)	(2,432,795.76)	(156,770.10)
Net Certificates of Participation Payable	214,397,434.14		5,058,229.90	209,339,204.24	5,408,229.90
Bonds Payable	134,185,000.00		5,025,000.00	129,160,000.00	5,240,000.00
Plus: Unamortized Net Premium	3,047,850.97		167,967.41	2,879,883.56	167,967.40
Net Bonds Payable	137,232,850.97		5,192,967.41	132,039,883.56	5,407,967.40
Notes Payable	276,840.00		134,417.50	142,422.50	142,422.50
Installment-Purchases Payable	57,904.62		57,904.62		
Other Postemployment Benefits Payable	4,659,691.00	2,071,643.00	874,065.00	5,857,269.00	
Compensated Absences Payable	9,090,883.61	2,117,006.43	1,824,462.49	9,383,427.55	1,824,462.49
Total Governmental Activities	$ 365,715,604.34	$ 4,188,649.43	$ 13,142,046.92	$ 356,762,206.85	$ 12,783,082.29

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

10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Fund	Interfund Receivables	Interfund Payables
Major:		
General	$ 2,977,629.07	$ 5,457,766.80
Special Revenue:		
ARRA Economic Stimulus	351.58	91,929.39
Capital Projects:		
Capital Improvement	19,666,340.76	22,363,768.10
Other	22,417,369.49	14,983,307.23
Nonmajor Governmental	260,344.73	2,425,264.11
Total	$45,322,035.63	$45,322,035.63

Interfund receivables and payables generally represent temporary loans between funds to cover operating expenses. All balances are expected to be repaid within one year.

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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

Fund	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$12,427,749.00	$ 871,724.32
Capital Projects:		
Local Capital Improvement		20,381,474.35
Other		19,280,400.75
Nonmajor Governmental	27,234,126.10	
Internal Service	871,724.32	
Total	$40,533,599.42	$40,533,599.42

Interfund transfers generally represent permanent transfers of funds to cover debt service payments, maintenance expenditures, property casualty insurance premiums, and other expenditures as permitted by law. The transfer from the General Fund into the internal service fund was to cover the remaining claims expense from the District's former self-insurance programs.

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 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

Additionally, the District has purchase orders outstanding for projects accounted for in the Special Revenue - Food Service Fund totaling $103,110.02, at June 30, 2009. Since these outstanding purchase orders exceed the available fund balance in the Special Revenue – Food Service Fund, an encumbrance is not shown on the financial statements for this amount.

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2008-09 fiscal year:

Source	Amount
Florida Education Finance Program	$ 72,533,832.00
Categorical Educational Programs:	
Class Size Reduction	39,048,573.00
Transportation	10,470,087.00
Instructional Materials	3,740,909.00
School Recognition	2,359,230.00
Florida Teachers Lead	582,278.00
Other	1,165,075.19
Gross Receipts Tax (Public Education Capital Outlay)	10,974,477.00
Classrooms for Kids	6,549,750.40
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,471,603.96
Discretionary Lottery Funds	928,947.00
Food Service Supplement	266,367.00
Mobile Home License Tax	230,994.01
Miscellaneous	639,398.43
Total	$ 150,961,521.99

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

13. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2008 tax roll for the 2008-09 fiscal year:

	Millages	Taxes Levied
GENERAL FUND		
Nonvoted School Tax:		
Required Local Effort	5.249	$ 122,138,496.82
Basic Discretionary Local Effort	0.498	11,587,924.77
Supplemental Discretionary Local Effort	0.188	4,374,557.95
CAPITAL PROJECTS FUNDS		
Nonvoted Tax:		
Local Capital Improvements	1.750	40,720,837.01
Total	7.685	$ 178,821,816.55

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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 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).

Employees 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 except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, 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 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. Employees in PEORP vest after one year of service. There were 815 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled $3,094,679.21.

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2008-09 fiscal year, contribution rates were as follows:

Class	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
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	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 PEORP.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions including employee contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled $16,331,331.25, $19,970,556.02, and $16,487,965.57, 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. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The Other Postemployment 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 health and hospitalization plan for medical, prescription drug, and life insurance 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

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

the plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. Eligible retirees have the option to purchase a Group Medicare Advantage or Supplement Plan at a reduced rate. The Other Postemployment Benefits Plan does not issue a stand-alone report, and is not included in the report of a Public Employee Retirement System or another entity.

Funding Policy. Contribution requirements of the District and plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 407 retirees received other postemployment benefits. The District provided required contributions of $874,065 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions totaling $1,134,428, or 0.62 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation for other postemployment benefits:

Description	Amount
Normal Cost (service cost for one year)	$ 1,293,508
Amortization of Unfunded Actuarial Accrued Liability	752,426
Interest on Normal Cost and Amortization	
Annual Required Contribution	2,045,934
Interest on Net OPEB Obligation	186,388
Adjustment to Annual Required Contribution	(160,679)
Annual OPEB Cost (Expense)	2,071,643
Contribution Toward the OPEB Cost	(874,065)
Increase in Net OPEB Obligation	1,197,578
Net OPEB Obligation, Beginning of Year	4,659,691
Net OPEB Obligation, End of Year	$ 5,857,269

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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, 2009, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, 7-1-07	$		$ 0
2007-08	5,901,780	21.05%	4,659,691
2008-09	2,071,643	42.19%	5,857,269

Funded Status and Funding Progress. As of January 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was $21,396,657, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $21,396,657 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $181,770,407 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.77 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of 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 January 1, 2009, used the entry age actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2009, and the District's 2008-09 fiscal year annual required contribution. 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 19 percent for the 2009 calendar year, decreasing to nine percent for the 2010 calendar year then reduced by 0.5 percent per year, to an ultimate rate of 5 percent after nine years. The unfunded actuarial accrued liability is being amortized as a level

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 28 years.

16. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
Replacement of Ft. Pierce Central High School			
Architect	$ 2,069,250.00	$ 2,065,470.65	$ 3,779.35
Contractor	76,357,953.00	74,925,694.02	1,432,258.98
FAU/Palm Pointe Educational Research School at Tradition			
Architect	1,158,500.00	1,054,120.16	104,379.84
Contractor	26,926,677.33	26,438,444.25	488,233.08
Allapattah Flats K-I School			
Architect	2,139,173.34	1,941,153.04	198,020.30
Contractor	29,033,623.84	28,724,465.00	309,158.84
Port St. Lucie High School Chiller Plant			
Contractor	2,890,249.80	2,724,118.85	166,130.95
Total	$ 140,575,427.31	$ 137,873,465.97	$ 2,701,961.34

17. JOINT VENTURES

By a resolution adopted on October 24, 1989, the Board entered into a joint venture with the St. Lucie County Board of County Commissioners (County) to build a library adjacent to the middle school located on Morningside Boulevard in St. Lucie County, leased by the County to the School Board. The Board of County Commissioners will operate and maintain the facility. The lease is for a 40-year period and provides that the school has priority use, over the general public, of the library for educational purposes and for extracurricular activities as part of the normal school programs of the Board.

By interlocal agreement adopted on November 23, 1999, the Board entered into a joint venture with the County to build the South County Regional Stadium. The County will operate and maintain the facility. The Board has agreed to fund a portion of the construction costs by reimbursing the County for its portion of the payment on the County's Improvement Revenue Notes, Series 2000A (see Note 6). The interlocal agreement provides that the Board has priority use, over the general public, of the stadium for high school football and soccer events.

By an interlocal agreement adopted on January 12, 1999, the Board entered into a joint venture with the County to purchase, construct, and maintain an 800 Megahertz radio system. The Board has agreed to fund a portion of the radio system's cost by reimbursing the County for 15.95 percent of payments for the County's Public Improvement Revenue Bonds, Series 2000A (see Note 6), that were issued to finance the project.

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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. The District is a member of the South Central Educational Risk Management Program (SCERMP), a consortium under which eight district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of SCERMP. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. SCERMP is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for SCERMP is composed of superintendents of all participating districts. Employers' Mutual, Inc. serves as the third-party administrator and fiscal agent for SCERMP.

The property casualty group under SCERMP is a public entity risk pool which was organized to develop, implement, and administer a multidistrict cooperative property and casualty risk management program for the member school boards in which risk of loss is transferred to the group. The School Board makes an annual contribution to the group for its property casualty group coverage. The interlocal agreement and bylaws of the property casualty group provide that the group will be self-sustaining through member contributions. However, member school boards are subject to supplemental contributions in the event of a deficiency except to the extent that the deficiency results from a specific claim against a member school board in excess of the coverage available, then such deficiency is solely the responsibility of that member school board. In addition, it is the property casualty group's policy to carry excess coverage through commercial insurance carriers for workers' compensation and property loss claims in excess of $l,000,000 and $100,000 (except wind/hail/flood), respectively. The named wind or named flood deductible is 5 percent of replacement cost value with a minimum of $250,000 per occurrence. Other wind or flood deductible is $100,000 plus $100,000 time element for any one occurrence with flood zone V excluded. Special hazard flood areas are $500,000 per building and $500,000 contents.

From July 1, 2008, through December 31, 2008, the District's group health and dental plans were self-insured. WEB-TPA was the third-party administrator for the plans. The District purchased reinsurance to cover individual claims exceeding $200,000. Ultimate liability for claims incurred while the District was self-insured remains with the District, and accordingly, the insurance risks were not transferred. The District estimated that at June 30, 2009, insurance claims incurred but not reported were $150,000. As of January 1, 2009, the District entered into a contract with Blue Cross/Blue Shield of Florida to provide health and dental insurance to District employees. As a result, as of January 1, 2009, the District's health and dental claims are fully-insured rather than self-insured, the ultimate liability for claims incurred after that date and the associated risks are transferred to the insurance provider.

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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

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
2007-08	$ 4,218,905.00	$ 44,588,648.00	$ (44,620,513.00)	$ 4,187,040.00
2008-09	4,187,040.00	23,296,581.60	(27,333,621.60)	150,000.00

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2009

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 264,508.23	$ 264,508.23	$ 253,370.41	$ (11,137.82)
Federal Through State and Local	750,000.00	1,287,787.57	2,288,756.73	1,000,969.16
State	151,205,786.69	140,146,123.47	131,475,589.22	(8,670,534.25)
Local:				
Property Taxes	131,276,903.00	130,476,547.00	131,764,303.49	1,287,756.49
Miscellaneous	11,146,408.31	3,175,505.31	10,384,895.54	7,209,390.23
Total Revenues	294,643,606.23	275,350,471.58	276,166,915.39	816,443.81
Expenditures				
Current - Education:				
Instruction	190,071,486.75	170,596,221.88	169,465,032.67	1,131,189.21
Pupil Personnel Services	16,779,674.36	16,700,139.77	16,622,751.26	77,388.51
Instructional Media Services	5,434,604.55	5,158,180.61	5,058,406.25	99,774.36
Instruction and Curriculum Development Services	3,274,635.45	3,262,326.66	3,122,592.32	139,734.34
Instructional Staff Training Services	3,448,667.32	3,400,231.13	2,841,530.30	558,700.83
Instruction Related Technology	283,144.03	326,446.86	318,693.98	7,752.88
Board of Education	768,848.58	727,877.63	697,977.19	29,900.44
General Administration	1,805,268.82	2,228,737.13	2,208,332.27	20,404.86
School Administration	18,142,173.19	18,712,476.51	18,654,731.86	57,744.65
Facilities Acquisition and Construction	694,519.87	1,074,244.05	982,270.22	91,973.83
Fiscal Services	1,798,939.38	1,643,561.57	1,623,958.09	19,603.48
Food Services	4,537,970.93			
Central Services	19,613,436.16	4,588,744.68	3,995,352.13	593,392.55
Pupil Transportation Services	33,934,179.29	20,417,290.93	19,823,812.41	593,478.52
Operation of Plant	9,207,801.91	33,885,368.16	33,465,265.79	420,102.37
Maintenance of Plant	2,645,809.62	9,542,638.92	9,271,782.86	270,856.06
Administrative Technology Services	481,254.10	2,936,702.30	2,828,088.13	108,614.17
Community Services		308,616.33	101,598.43	207,017.90
Fixed Capital Outlay:				
Facilities Acquisition and Construction		12,220.20	12,220.20	
Other Capital Outlay		146,840.74	146,840.74	
Total Expenditures	312,922,414.31	295,668,866.06	291,241,237.10	4,427,628.96
Deficiency of Revenues Under Expenditures	(18,278,808.08)	(20,318,394.48)	(15,074,321.71)	5,244,072.77
Other Financing Sources (Uses)				
Transfers In	11,500,000.00	14,327,749.00	12,427,749.00	(1,900,000.00)
Proceeds from Sale of Capital Assets		3,293.04	201,557.50	198,264.46
Loss Recoveries		1,644,726.29	1,654,278.18	9,551.89
Transfers Out		(871,724.32)	(871,724.32)	
Total Other Financing Sources (Uses)	11,500,000.00	15,104,044.01	13,411,860.36	(1,692,183.65)
Net Change in Fund Balances	(6,778,808.08)	(5,214,350.47)	(1,662,461.35)	3,551,889.12
Fund Balances, Beginning	17,561,545.16	17,558,284.03	17,558,284.03	
Fund Balances, Ending	$ 10,782,737.08	$ 12,343,933.56	$ 15,895,822.68	$ 3,551,889.12

Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$	$ 7,708,646.00	$ 264,880.43	$ (7,443,765.57)
	7,708,646.00	264,880.43	(7,443,765.57)
	4,414,748.32	203,239.28	4,211,509.04
	54,409.43		54,409.43
	1,123,857.23	5,000.00	1,118,857.23
	1,793,659.87	3,390.99	1,790,268.88
	230,529.28	5,007.41	225,521.87
	8,751.12		8,751.12
	34,448.00		34,448.00
	48,242.75	48,242.75	
	7,708,646.00	264,880.43	7,443,765.57
$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - 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]
July 1, 2007	$ 0	$ 37,471,029	$ 37,471,029	0.00%	$ 171,627,548	21.83%
January 1, 2009	0	21,396,657	21,396,657	0.00%	181,770,407	11.77%

ST LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The January 1, 2009, unfunded actuarial accrued liability of $21,396,657 was significantly less than the July 1, 2007, liability of $37,471,029 as a result of benefit changes and other changes in liabilities and costs as discussed below:

- The number of enrolled retirees decreased from 630 in the July 1, 2007, valuation to 407 in the January 1, 2009, valuation. By contrast, the number of active employees increased to 4,786 in the current valuation from 4,244 in the prior valuation.
- In the previous valuation, it was assumed that 100 percent of retirees participated in the health plans. Actual retiree participation, however, has historically been much lower, so the current valuation assumed participation of only 25 percent.
- The assumed annual healthcare cost trend for medical and prescription costs was revised. In the previous valuation, the initial healthcare cost trend was assumed to increase at 11 percent in the first year, decreasing by 0.5 percent each year to an ultimate rate of 5 percent after twelve years. In the current valuation, the trend is assumed to be an increase of 19 percent in the first year, decreasing by 10 percent the second year, and then 0.5 percent each year thereafter an ultimate rate of 5 percent after nine years.
- The July 1, 2007, valuation used the unit credit actuarial cost method and the level dollar amortization, whereas the January 1, 2009, valuation used the entry age actuarial cost method and the level percent of projected payroll amortization.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009

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	$ 2,465,824.00	$
National School Lunch Program	10.555	300	8,571,882.05	
Summer Food Service Program for Children	10.559	323	37,944.00	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	791,537.58	
Total Child Nutrition Cluster			11,867,187.63	
Florida Department of Education:				
Child and Adult Care Food Program	10.558	302	255,285.00	
Total United States Department of Agriculture			12,122,472.63	
United States Department of Education:				
Direct:				
Impact Aid	84.041	N/A	2,293.63	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	7,382,263.43	14,398.12
Special Education - Preschool Grants	84.173	266, 267	337,971.13	
ARRA - Special Education Grants to States, Recovery Act	84.391	263	212,792.57	
ARRA - Special Education Preschool Grants, Recovery Act	84.392	267	15,196.89	
Washington County District School Board:				
Special Education - Grants to States	84.027	None	13,373.64	
Total Special Education Cluster			7,961,597.66	14,398.12
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	9,051,406.66	
Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223	36,890.97	
Total Title I, Part A Cluster			9,088,297.63	
Florida Department of Education:				
Migrant Education - State Grant Program	84.011	217	156,006.76	
Career and Technical Education - Basic Grants to States	84.048	151	431,174.00	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	121,035.63	
Charter Schools	84.282	298	302,500.00	302,500.00
Twenty-First Century Community Learning Centers	84.287	243, 244	1,011,852.98	
State Grants for Innovative Programs	84.298	112	1,893.73	
Education Technology State Grants	84.318	113	66,340.62	
Reading First State Grants	84.357	121	649,563.94	
English Language Acquisition Grants	84.365	102	646,721.43	
Mathematics and Science Partnerships	84.366	235	243,725.31	
Improving Teacher Quality State Grants	84.367	224	1,456,745.99	
School Improvement Grants	84.377	126	321,216.62	
Washington County District School Board:				
Reading First State Grants	84.357	121	15,144.70	
Total Indirect			22,473,817.00	316,898.12
Total United States Department of Education			22,476,110.63	316,898.12
Corporation for National and Community Service:				
Direct:				
Retired and Senior Volunteer Program	94.002	N/A	33,566.33	
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	251,076.78	
Total Expenditures of Federal Awards			$ 34,883,226.37	$ 316,898.12

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

(2) Noncash Assistance - Food Donation. Represents the amount of donated food received during the fiscal year. Commodities are valued at fair value as determined at the time of donation.

AUDITOR GENERAL
STATE OF FLORIDA

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the St. Lucie County District School Board as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon 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 the aggregate discretely presented component units, as described in our report on the St. Lucie 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 school internal funds 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 or material weaknesses. However, we believe that the significant deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report 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 A. 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 30, 2010

AUDITOR GENERAL

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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 St. Lucie 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 each of its major Federal programs for the fiscal year ended June 30, 2009. The District's major Federal programs are 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 each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the OMB's *Circular A-133*, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009. 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.

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.

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.

Our consideration of internal control over compliance 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 or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. 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 30, 2010

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs
Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB *Circular A-133*?	Yes
Identification of major programs:	Title I, Part A Cluster (CFDA No. 84.010 and 84.389); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); and Improving Teacher Quality (CFDA No.84.367)
Dollar threshold used to distinguish between Type A and Type B programs:	$1,046,496
Auditee qualified as low-risk auditee?	No

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

FINANCIAL STATEMENT FINDING

Significant Deficiency

Finding No. 1: Financial Reporting

Our review of the District's 2008-09 fiscal year annual financial report, as presented for audit, indicated that enhancements in procedures could be made for reporting certain account balances and transactions on the financial statements. Effective for the 2008-09 fiscal year, the District changed its depreciation method for furniture, fixtures, and equipment; motor vehicles; audio visual materials; and computer software, from the composite method to the straight line method. The composite depreciation method allows the District to depreciate a group of related assets as a whole; whereas the straight-line method, calculated by taking the acquisition price of an asset, subtracting the salvage value, and dividing this by the useful life of the asset, is a simpler calculation. To report the affect of the change on prior periods, the District is required to restate beginning net assets on the government-wide financial statements. District personnel properly reduced accumulated depreciation by approximately $38 million for this accounting change; however, instead of also increasing beginning net assets, District personnel incorrectly reduced certain functional expenses. As a result, the District understated reported amounts for beginning net assets and expenses.

Based on our review of District records and responses to our inquiries, the above reporting errors occurred mainly because accounting personnel were not familiar with how changes in depreciation methods should be reported in accordance with generally accepted accounting principles. We extended our audit procedures to determine the necessary adjustments to the financial statements, and District personnel accepted these adjustments.

In addition, school internal funds provide an accounting for various school club and class activities and are reported by the District in its financial statements as Agency Funds. Pursuant to State Board of Education Rule 6A-1.087, Florida Administrative Code, an independent accounting firm (auditor) provided an audit report for the District's school internal funds for the 2008-09 fiscal year. The financial activities of the school internal funds represent 8 percent and 23 percent of the assets and liabilities, respectively, of the aggregate remaining fund information in the financial statements. The auditor cited that fund-raising activities were not under the control of the schools' accounting department, and recommended written receipts to account for collections, timely deposits, and other enhanced accounting measures. The absence of adequate controls over school internal funds increases the risk that errors and fraud may occur and not be detected in a timely manner.

Recommendation: To facilitate necessary financial reporting, the District should enhance procedures to consider the effects of changes in accounting principles on the account balances and transactions reported on the financial statements. In addition, the District should take appropriate action to ensure that adequate controls are maintained over school internal fund collections.

ADDITIONAL MATTERS

Finding No. 2: Purchasing Card Program

The District provides purchasing cards to authorized employees to simplify and expedite the ordering process, and contracted with a financial institution to process such purchases. During the 2008-09 fiscal year, the District had approximately 125 employees with purchasing cards, and card purchases totaled approximately $1.8 million.

District personnel indicated that generally each cardholder and the purchasing card administrator sign an agreement form that restricts use of the card to school board purposes only; details prohibited purchases such as alcohol, gift cards, and cash advances; and lists the consequences, such as possible employee termination, if the cardholder does not follow the purchasing rules. Our review of purchasing card procedures and tests of transactions disclosed that written procedures and other improvements in controls over the program were needed as follows:

- We selected 10 employees from a list of cardholders provided by the finance department to determine whether cardholder agreement forms existed and whether their February 2009 purchasing card transactions were proper District expenditures. However, our tests disclosed that the District could not provide agreement forms for 2 of the employees, and the administrator had not signed and dated the forms for the 8 remaining employees. Although tested expenditures were for valid educational purposes, the District's written procedures did not require the agreement forms. Maintaining purchasing card user agreements signed by the cardholder and administrator establishes the authority for the cards assigned to specific cardholders and their respective responsibilities.
- The District's purchasing procedures manual limits procurement card purchases of non-textual material to $5,000 per order. However, the District mistakenly issued 71 purchasing cards to school principals, directors, and cafeteria managers that exceeded the established limit from $1,000 to $35,000. This occurred, in part, because the purchasing card administrator did not periodically review the card limits. When the District does not properly enforce established dollar limits for purchasing cards, the risk increases for personnel to make large purchases and bypass bid procedures.
- The District issued two purchasing cards to each of the 42 cafeteria managers, with one card designated for supply purchases and the other for food purchases. However, because these designations were not clearly understood, managers made supply purchases using the card designated for food purchases and typically did not use the additional card. Subsequent to our inquiries in April 2009, the District canceled the 42 supply cards, and the managers could use the remaining cards for food or supply purchases. The District had not established written procedures requiring a periodic review of the purpose and usage of purchasing cards issued to individual employees, which may have contributed to the misunderstandings. In the absence of such written procedures, the risk increases that cards may be used for unauthorized purposes.

Recommendation: The District should enhance controls over the purchasing card program to ensure that purchasing card agreements, signed by cardholders and the administrator, are maintained to establish the respective responsibilities; establish dollar limits for purchasing cards according to an employee's job duties; and periodically review the purpose and usage of purchasing cards.

Finding No. 3: Fingerprinting and Background Screening

Sections 1012.465 and 1012.468, Florida Statutes, require that contractual personnel who are permitted access on school grounds when students are present, and are not under the direct supervision of a District employee, must undergo a background screening that includes fingerprinting, every five years, as described in Section 1012.32, Florida Statutes. To determine whether the required background screenings were conducted for these contractual personnel, we tested District records of 15 contractual personnel providing occupational therapist services, and determined that 2 of the personnel had contracted with the District for more than 5 years and were not screened. For 1 of the remaining 13 contractual personnel tested, District records did not evidence that a background screening had been performed, although the District's background screening log indicated that the District performed this procedure. District personnel informed us that these exceptions occurred due to oversights. Subsequent to our inquiries, the District obtained the required screenings for the 3 contractual personnel. A similar finding was noted in our audit report No. 2007-154.

Recommendation: The District should improve its efforts to ensure that contractual personnel who have direct access to students receive the required background screenings.

Finding No. 4: Information Technology – Program Change Controls

Effective controls over changes to application programs are intended to ensure that only authorized and properly functioning changes are implemented. Program change controls include procedures to ensure that all changes are properly authorized, tested, and approved for implementation. Program change controls that are typically employed to ensure the continued integrity of application systems include thorough testing and approving of changes by a person or group independent of the person making the changes.

According to District management, program change requests were initiated and authorized by members of user departments and there was a user sign-off process after programming work was completed. However, the District's *Procedures for Problem/Request Sheets* (dated March 27, 2006) did not address authorization requirements for change requests. The *Procedures* identified Information Technology Services (ITS) Help Desk personnel and System Leads as the primary decision makers regarding projects to be undertaken. The responsibility for testing program changes was assigned to the programmers who made the changes. No users from the requesting department were directed to review and approve the program changes. When programs were changed, the programmers who coded the changes moved the modified programs to a source code library from which Computer Operations personnel moved the programs to production and compiled the programs upon the request of the programmers. When written user authorization and approval of program changes is not required, the risk is increased that unauthorized program changes could be implemented without timely detection.

According to District management, the District was in the process of implementing a new data governance issue processing system that included a ticket (request) tracking system to provide written authorization and approval of program changes. The District has also designated certain individuals referred to as "Data Stewards" with the authority to submit change requests for particular systems on behalf of requestors and to approve changes that have been made. However, the data governance issue processing system was still in the initial stages of implementation. The Data Stewards were trained in late fall 2008 and were in the process of obtaining an understanding of the ticket tracking system.

Recommendation: The District should continue to implement the data governance issue processing system to provide written authorization and approval of program changes. The District should also ensure that users are involved in the testing of program changes and approve program changes in writing before the changes are moved to production. Additionally, procedures for the use of the new ticket tracking system should be written and distributed to system users who may request program changes, the Data Stewards, and ITS personnel.

Finding No. 5: Information Technology – Access Privileges

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 person to subvert a critical process. It is important for management to ensure that employees and consultants are performing only those duties stipulated for their respective jobs and positions.

During our test of employee and consultant access privileges to the District's administrative systems (Finance and Human Resources/Payroll), we identified employees who had inappropriate or unnecessary access, as described below:

- Twelve of 152 employees and consultants included in our tests who were users of the Finance system unnecessarily had the ability to approve requisitions. In response to our inquiry, District management stated that the ability to approve requisitions has now been removed from the 12 employees. Additionally, 8 employees had inappropriate update access to requisition creation, requisition approval, purchase order, and invoice screens, contrary to an appropriate separation of duties. In response to our inquiry, District management removed the ability to approve requisitions from all but 3 of the 8 employees. We noted that the District had compensating controls in place (e.g., separation of the duties of initiating and approving purchases, adding and updating vendors, and department supervisor monitoring of budget and actual expenditures) to minimize the effect of the above deficiencies. However, the lack of appropriate restriction of access capabilities increases the risk that unauthorized transactions could be entered into the system and approved.
- Twelve of 54 employees and consultants included in our tests who were users of the Human Resources/Payroll system had unnecessary access privileges for their job responsibilities. Three of these employees had update access to both personnel and payroll records. For all 12 employees, District management acknowledged that the employees' access privileges exceeded what was necessary for their job duties. We noted that the District had compensating controls in place (e.g., separation of the duties of payroll updating and processing) to minimize the effect of the above deficiencies; however, the lack of appropriate restriction of access capabilities increases the risk that erroneous or unauthorized data could be entered into the system.

While certain compensating controls are in place, we also noted that the District did not perform periodic reviews of administrative systems access privileges to determine whether the access granted was appropriate. Under these conditions, the risk was increased that inappropriate access privileges will not be timely detected and corrected and could potentially be misused, resulting in the unauthorized disclosure, modification, or destruction of District data.

Recommendation: The District should periodically review the ongoing appropriateness of access privileges and timely remove or adjust any inappropriate or unnecessary access detected to ensure that access privileges are compatible with employee job responsibilities.

Finding No. 6: Information Technology – Removal of Access Privileges

Effective management of system access privileges includes the timely removal of employee access privileges when employees terminate. Prompt action is necessary to ensure that a former employee's access privileges are not misused by the former employee or others.

Our review of business application access privileges for 1,311 employees who terminated employment from July 1, 2008, through February 28, 2009, disclosed the following:

- Five former employees retained access privileges to the Human Resources/Payroll systems.

- One former employee retained access privileges to the Finance system.
- One person with whom District personnel were unfamiliar retained access privileges to the Human Resources/Payroll system.

Additionally, our review of network access privileges for 36 of the 1,311 former employees disclosed that 33 former employees retained network access. The former employees included in our tests whose business application or network access privileges had not been removed retained access for periods ranging from 10 to 252 days after their dates of termination.

District procedures provide for the Human Resources department to notify ITS Security personnel of terminations and the ITS Security Officer is expected to review Board meeting agendas to identify terminated employees for whom notification was not received. However, as demonstrated by the exceptions described above, the controls were not adequate to ensure that the appropriate steps were taken to timely remove access from persons no longer employed by the District.

When access privileges for former employees and students are not removed in a timely manner, the risk is increased that the access privileges may be misused by the former employees or others, compromising District data and information technology (IT) resources. In response to our inquiry, District personnel stated they have removed the business application access privileges of the former employees and unidentified person listed above, they have removed the network access privileges only for high-risk terminations, and the District has plans to implement an automated access removal process after the District converts to new business systems in the summer of 2009. Although requested, District personnel did not provide evidence that the former employees did not use these privileges subsequent to their terminations.

Recommendation: The District should promptly remove the access privileges of former employees to minimize the risk that access privileges could be used to compromise District data or IT resources.

Finding No. 7: Information Technology – New Business System – Approval of Access Privileges

Effective preparation for the implementation of a new business system includes documented approval by user management on the assignment of user access privileges or profiles. During our audit, a matter came to our attention related to the Finance and Human Resources/Payroll portions of the new business system that was implemented on July 1, 2009, subsequent to our audit period.

Specifically, the District had not documented supervisory review and approval of user access privileges in the new business system. In response to our inquiry, District management stated that Information Technology Services (ITS) personnel worked with the vendor and the District's Data Stewards (District managers and directors, including the Finance Director, Payroll Manager, and Director of Personnel) to determine what components of the system were needed by each user. However, there were no written management approvals of the user profiles set up in the new system by ITS personnel.

Our audit did not include a review of the appropriateness of user access privileges established in the new business system subsequent to our audit period. However, without evidence of supervisory approval of the access privileges granted during the implementation process, the risk is increased that access privileges granted will not be reflective of job functions or that profiles assigned to employees will represent an inadequate separation of duties. If users are given more access privileges than needed to perform their jobs, the risk of malicious or unintentional misuse is increased.

Recommendation: District management should promptly review and approve in writing the profiles and associated access privileges assigned to users in the new business system.

Finding No. 8: Information Technology – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to user authentication that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without appropriate security controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

Recommendation: The District should improve security controls related to user authentication to ensure continued confidentiality, integrity, and availability of District data and IT resources.

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: Title I, Part A Cluster (Title I Grants to Local Educational Agencies (CFDA No. 84.010) and Title I Grants to Local Educational Agencies, Recovery Act (CFDA No. 84.389))
Finding Type: Noncompliance
Questioned Costs: Not Applicable

Special Tests and Provisions – Highly Qualified Teachers. In accordance with the *No Child Left Behind Act of 2001*, Public Law 107-110, Part A, Section 1119(a), a school district must ensure that any teacher who teaches a core academic subject and who works in a program supported with Title I funds is highly qualified as defined in Title 34, Section 200.56, Code of Federal Regulations. Highly qualified teachers (HQT) must hold at least a bachelor's degree, must have a valid Florida teaching certificate, and must demonstrate a high level of subject area competency for each core academic subject assigned, generally through State testing or additional coursework. This requirement applies to teachers in Title I targeted assistance programs who teach a core academic subject and are paid with Title I funds and to all teachers who teach a core academic subject in a Title I schoolwide program school. Core academic subjects include English, reading or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, and geography.

According to the District's 2008-09 fiscal year grant application, the District had certain teachers that were not highly qualified. We requested a list of these teachers and determined that 22 teachers, providing services in Title I schoolwide program schools, were not highly qualified because they did not maintain Florida teaching certificates in the core academic areas they were teaching. The District indicated that due to the limited number of available qualified applicants and existing personnel, along with hiring freezes, teacher retirement, and teacher mobility, it was difficult to properly fill these teaching positions. According to District personnel, a plan is in place to hire teachers meeting the HQT definition or to allow teachers to obtain the proper teaching certificates to become highly qualified.

Having highly qualified personnel would enhance the District's ability to properly educate Title I students and contribute toward meeting the adequate yearly progress standards set by the United States Department of Education.

Recommendation: The District should continue its effort to ensure that all teachers hired to teach core academic subjects in Title I funded schools are highly qualified.

District Contact Person: Mary Krause, Executive Director of Title I, II and Migrant Programs

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 A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009

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
Cherry, Bekaert, and Holland, CPA, report dated May 27, 2009		No prior Federal audit findings.		

EXHIBIT A

MANAGEMENT'S RESPONSE

Excellence in Education
The School Board of St. Lucie County
4204 Okeechobee Road
Fort Pierce, Florida 34947 • (772) 429-3600

March 30, 2010

David W. Martin, CPA
Auditor General
540 Northwest University Boulevard, Suite 203
Port St. Lucie, Florida 34986

Dear Mr. Martin:

We have reviewed the preliminary and tentative audit findings and recommendations which may be included in a report on the financial, operational, and Federal audit of the St. Lucie County District School Board for the fiscal year ended June 30, 2009.

We acknowledge the findings and recommendations presented in the report, and present the following responses:

Finding #1: Financial Reporting. We appreciate the assistance of your audit team in presenting the effects of our change in depreciation method on our financial statements. Because changes in depreciation method are infrequent, we do not anticipate this type of change to occur again any time in the near future.
The audit report on our internal accounts reflects a condition that is typical of many schools: numerous cash collection points involved in each school's various class and club activities. To help support effective controls over school internal accounts, the district provides written guidance to schools in the form of an internal accounts procedures manual and the Financial and Program Cost Accounting and Reporting manual published by the Florida Department of Education. Our written procedures provide for monies collected forms to support all cash collections and for daily bank deposits. Also, an internal accounts liaison in the district's Finance department is available to all schools to answer questions about procedures or rules, and ensures that each school prepares monthly principals' reports and bank reconciliations. Additionally, we perform periodic school visits to help monitor internal accounts. We will continue to explore other possibilities for strengthening these controls.

(continued)

David W. Martin
March 30, 2010
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Finding #2: Purchasing Card Program. We have obtained purchasing card agreements for the users noted in your finding, and will continue to have each purchasing card user sign an agreement for their use. The District has also drafted a Purchasing Card procedures manual to codify our procedures for all users.

Finding #3: Fingerprinting and Background Screening. The personnel noted in your report were contracted to our exceptional student education department. We have worked with that department to strengthen our procedures and ensure that individuals submit to fingerprinting and background screening as required. The individuals noted in your report were fingerprinted before the end of May 2009. Also as noted in your report, our background screening log did indicate that the personnel noted in your report were fingerprinted. We have strengthened our recordkeeping procedures to ensure that documents are on file to show proper and timely fingerprinting.

Finding #4: Information Technology – Program Change Controls. Our ITS department has implemented the Data Governance Issue Processing system described in your report, and has strengthened this process to add a "Quality Assurance" stage to all tickets that involve changes to the Skyward system. Two staff members (one for Business software and one for Student software) in ITS are now responsible for ensuring that every ticket that results in a change is properly authorized by the Data Steward before it is placed in production. Training for all ITS staff is taking place in March 2010 for this new business process. Training for Data Stewards is expected to take place in April 2010.

Finding #5: Information Technology – Access Privileges. The matters described in your report pertain to the District's previous operating system. On July 1, 2009, the District implemented a new system, Skyward, and took the opportunity to revisit our processes for controlling access privileges. Our ITS department has coordinated with Data Stewards to utilize the role-based security profiles available in the Skyward software. Security maintenance has been centralized to the ITS service desk and these staff have been trained in the usage and monitoring of security profiles. Security group access requested by data stewards are documented in spreadsheets for clarity of privileges desired at each position level.

Finding #6: Information Technology – Removal of Access Privileges. On July 1, 2009, the District implemented the Skyward system for Finance and Human Resources. Additionally, the ITS department has deployed integration of LDAP security with the authentication to the core business systems in February 2010. We have also automated the maintenance of LDAP access to synchronize with the employee status in the HR system.

(continued)

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March 30, 2010
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Finding #7: Information Technology – New Business System – Approval of Access Privileges. While we do not have a formal document signed by all of our Data Stewards that resulted from their security profile requests, we are confident that the security profiles in place reflect their access requests. Security profiles have been documented in spreadsheets for improved communications regarding this issue.

Finding #8: Information Technology – User Authentication. Our ITS department has deployed integration of LDAP security with the authentication to the core business systems in February 2010. As we deploy newer versions of the Microsoft Server and desktop operating systems, we will have newer tools at our disposal to address additional security controls. We are developing budget and project plans to migrate to these newer versions.

Federal Awards Finding – Special Tests and Provisions. As noted in your report, the District's grant application noted that the District had some teachers that did not meet the Highly Qualified requirement, so the grantor agency was aware of this issue before approving our grant. Also as noted in your report, the District has a plan in place to hire Highly Qualified teachers or otherwise ensure that teachers hired become highly qualified within 90 days of employment.

We thank the audit team for their assistance during the review.

Sincerely,

Michael Lannon
Superintendent

ML/tch

Cc: Tim Bargeron
Camille Hooper
Sue Ranew
Terence O'Leary
Mary Krause