STATE OF FLORIDA AUDITOR GENERAL

Financial, Operational, and Federal Single Audit

Report No. 2016-139
March 2016

ST. LUCIE COUNTY DISTRICT SCHOOL BOARD

For the Fiscal Year Ended
June 30, 2015

Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2014-15 fiscal year, Genelle Zoratti Yost served as Superintendent and the following individuals served as Board members:

	District No.
Debbie Hawley, Chair to 11-17-14	1
Carol A. Hilson	2
Dr. Donna Mills, Vice Chair to 11-17-14, Chair from 11-18-14	3
Kathryn Hensley, Vice Chair from 11-18-14	4
Troy Ingersoll	5

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 team leader was Clare Waters, CPA, and the audit was supervised by Tim L. Tucker, CPA. For the information technology portion of this audit, the team leader was Shawn McCormick, CPA, CISA, and the audit was supervised by Heidi G. Burns, CPA, CISA.

Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Supervisor, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

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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

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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

Additional Matters

Finding 1: The District needs to establish a mechanism for noninstructional employees to report time worked and procedures requiring supervisors to document the review and approval of such time.

Finding 2: Controls for monitoring school bus drivers could be improved.

Finding 3: District procedures did not provide an appropriate separation of duties for the Transportation Department inventory or restrict access to the inventory.

Finding 4: Contrary to State law, the District did not prominently post on its Web site the required budget information for the 2014-15 fiscal year.

Finding 5: The District did not always provide financial reports monthly to the Board. Such reports provide the Board with information needed for policy decisions.

Finding 6: The District's two virtual instruction program (VIP) provider contracts did not include certain necessary provisions and District records did not evidence the basis upon which District personnel determined the reasonableness of student-teacher ratios established in the Florida Department of Education approved VIP provider contract.

Finding 7: Some unnecessary or inappropriate information technology (IT) access privileges continue to exist.

Finding 8: District security controls related to IT user authentication and logging and monitoring of system activity continue to need improvement.

Finding 9: As similarly noted in our report No. 2013-171, the District computer security incident response plan needs enhancement to ensure that District management will timely, appropriately, and effectively respond to security incidents.

Summary of Report on Federal Awards

We audited the District's compliance with applicable Federal awards requirements. The Child Nutrition Cluster and Special Education Cluster programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that could have a direct and material effect on each of its major Federal programs.

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 accompanying Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2015. 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, in both 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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Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 10 percent of the assets and 43 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of the District's charter schools, which represent 99.67 percent of the assets, 99.99 percent of the liabilities, 99.07 percent of the revenues, and 99.02 of the expenses of the aggregate discretely presented component units' columns. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the charter schools, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing*

Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of 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 of the St. Lucie County District School Board, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note II.A. to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

As discussed in Note II.B. to the financial statements, the District has elected to change its method of accounting for debt service payments for the 2014-15 fiscal year. This change affects the comparability of amounts reported for the 2014-15 fiscal year with amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, **Budgetary Comparison Schedule – General Fund**, **Schedule of**

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget (OMB) Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 18, 2016

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, 2015. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions and should be considered in conjunction with the District's financial statements and notes to financial statements found immediately following the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2014-15 fiscal year are as follows:

- Net position of the District decreased $135,140,349, in comparison to the 2013-14 fiscal year, which includes an adjustment decreasing the beginning net position in the amount of $122,486,042. The adjustment was a result of the District adopting the provisions of the Government Accounting Standards Board (GASB) Statement No. 68. For more information on this adjustment, please refer to notes to the financial statements, Note II.A.
- General revenues total $362,622,585, or 93.74 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $24,222,487, or 6.26 percent of all revenues.
- Expenses totaled $399,499,379. Only $24,222,487 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by $12,654,307.
- The assigned fund balance for the General Fund was $3,941,420, and the unassigned fund balance for the General Fund was $15,751,979. The sum of the assigned and unassigned fund balances of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled $19,693,399 at June 30, 2015, or 6.8 percent of General Fund expenditures. The prior year sum of the assigned and unassigned fund balances in the General Fund was $17,742,613, or 6.23 percent of total General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements.

Government-wide Financial Statements

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

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

- Governmental activities – This represents most of the District's services, including its educational programs: basic, vocational, 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 Educational Foundation, Inc.; Renaissance Charter School at St. Lucie; Renaissance Charter School at Tradition; College Preparatory Academy of the Treasure Coast; and Imagine Charter School at NAU 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 (Leasing 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 Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

Fund Financial Statements

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, Debt Service – Other Fund, Capital Projects – Section 1011.14/1011.15 Notes Fund, and Capital Projects – Other Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

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

Proprietary Fund: Proprietary funds, such as internal service funds, may be established to account for activities in which a fee is charged for services. The District maintains an internal service fund to report the activities of its publication operation. 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.

Other Information

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

Government-wide Financial Analysis

The following tables present summary information on net position and the changes in net position for the 2014-15 fiscal year:

Net Position, End of Year

	Governmental Activities	
	6-30-15	**6-30-14**
Current and Other Assets	$ 74,699,837	$ 65,304,612
Capital Assets	711,961,288	749,109,917
Total Assets	786,661,125	814,414,529
Pensions	22,660,162	-
Net Carrying Amount of Debt Refundings	11,865,902	8,742,752
Total Deferred Outflows of Resources	34,526,064	8,742,752
Long-Term Liabilities	415,932,498	332,503,835
Other Liabilities	26,182,767	26,485,357
Total Liabilities	442,115,265	358,989,192
Deferred Inflows of Resources	50,044,184	-
Net Position:		
Net Investment in Capital Assets	422,608,275	453,894,685
Restricted	32,390,894	15,504,218
Unrestricted (Deficit)	(125,971,429)	(5,230,814)
Total Net Position	$ 329,027,740	$ 464,168,089

The largest portion of the District’s net position is investment in capital assets (e.g., land; buildings; 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. Although the investment in capital assets is reported net of related debt, the resources used to repay the debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

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

The District’s unrestricted net position decreased $120,740,615, from June 30, 2014, to June 30, 2015, primarily due to the adoption of the GASB Statement No. 68, which is a change in accounting principle that requires employers participating in cost-sharing multiple-employer defined pension plans to report the employers’ proportionate share of the net pension liability of the defined benefit pension plans.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2015, and June 30, 2014, are as follows:

Operating Results for the Fiscal Year Ended

	Governmental Activities	
	6-30-15	**6-30-14**
Program Revenues:		
Charges for Services	$ 4,748,651	$ 5,258,585
Operating Grants and Contributions	17,406,901	16,574,174
Capital Grants and Contributions	2,066,935	1,397,544
General Revenues:		
Property Taxes, Levied for Operational Purposes	95,681,506	93,259,599
Property Taxes, Levied for Capital Projects	24,995,904	24,290,472
Local Sales Taxes	15,781,604	13,967,074
Grants and Contributions Not Restricted to Specific Programs	201,086,079	201,131,892
Unrestricted Investment Earnings	320,503	221,600
Miscellaneous	24,756,989	21,995,808
Total Revenues	386,845,072	378,096,748
Functions/Program Expenses:		
Instruction	188,547,499	189,395,724
Student Personnel Services	13,825,597	14,342,743
Instructional Media Services	3,881,372	4,486,866
Instruction and Curriculum Development Services	5,745,302	6,278,092
Instructional Staff Training Services	7,964,925	7,421,213
Instructional-Related Technology	262,245	341,314
Board	766,926	768,869
General Administration	3,923,088	3,615,464
School Administration	21,665,571	21,741,981
Facilities Acquisition and Construction	7,966,084	5,034,021
Fiscal Services	1,684,973	1,601,444
Food Services	20,126,616	20,341,359
Central Services	3,877,492	4,366,306
Student Transportation Services	23,096,844	23,758,644
Operation of Plant	26,010,048	26,029,497
Maintenance of Plant	6,398,261	6,631,637
Administrative Technology Services	3,508,137	4,185,759
Community Services	658,009	814,299
Unallocated Interest on Long-Term Debt	14,162,536	13,504,102
Capital Outlay (TBA)	-	527,377
Unallocated Depreciation	45,427,854	44,765,351
Total Functions/Program Expenses	399,499,379	399,952,062
Change in Net Position	(12,654,307)	(21,855,314)
Net Position, Beginning of Year	464,168,089	486,023,403
Adjustment to Beginning Net Position (1)	(122,486,042)	-
Net Position, Beginning, as Restated	341,682,047	486,023,403
Net Position - Ending	$ 329,027,740	$ 464,168,089

Note: (1) Adjustment to beginning net position due to the implementation of GASB Statement 68.

Significant revenue sources included property and sales taxes, representing 35.3 percent of total revenues, and State revenues, representing 44.9 percent of total government-wide revenues. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Other State revenue are primarily for acquisition, construction, and maintenance of education facilities.

Instructional expenses continued to be the major component of District outlays, representing 47.2 percent of total expenses. Total expenses decreased $452,683, or less than 1 percent from the 2013-14 fiscal year.

Grants and contributions not restricted to specific programs represented 51.9 percent of total revenues in the 2014-15 fiscal year. Grants and contributions not restricted to specific programs consists of various Federal and State revenues. Grants and contributions not restricted to specific programs decreased by $45,813, or less than 1 percent.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is $15,751,979, while the total fund balance is $23,276,852. The unassigned fund balance increased by $1,443,407 from the unassigned fund balance for the 2013-14 fiscal year, and total fund balance increased by $1,592,024.

Significant factors impacting the change in fund balance are as follows:

- Increase in State revenues, primarily due to an increase in FEFP revenues due to increasing student enrollment of 445 full-time equivalent students. The District's full-time equivalent enrollment is 39,252 for 2014-15 school year.
- Increases in property tax revenue, due to increases in property valuation, offset by slight decreases in the property tax levy. Revenue increases were offset by increases in instruction and student transportation expenditures.
- Increases in operating transfers in for charter capital outlay and to cover maintenance expenditures and property and casualty insurance.

The Debt Service – Other Fund has a restricted fund balance of $13,535,577, as compared to $2,005,730 for the 2013-14 fiscal year. The change is primarily due to a change in accounting principle for debt service expenditures. For more information on this adjustment, please refer to notes to the financial statements, Note II.B. This is used to account for the debt service payments related to certificates of participation and sales tax bonds.

The Capital Projects – Section 1011.14/1011.15 Notes Fund is used to account for the financial resources generated by the District's Revenue Anticipation Note of $12,500,000 borrowed on May 25, 2012, under the provisions of Section 1011.14, Florida Statutes. The net proceeds are used for heating, ventilation, and air conditioning improvements to certain facilities. Because the note payable is considered short-term debt and reported as a fund liability, the fund has an unassigned deficit fund balance of

$4,732,190. The fund balance deficit, which was a decrease in the fund balance deficit of $7,223,097 from the prior year, was primarily due to scheduled payments on the Revenue Anticipation Note.

The Capital Projects – Other Fund has a total fund balance of $1,669,457, of which $573,878 has been encumbered for specific projects. The fund balance decreased during the fiscal year by $3,065,836, as a result of ongoing capital projects and an increase in operating transfers out.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2014-15 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of $3,179,209, or 1.1 percent. At the same time, final appropriations are less than the original budgeted amounts by $2,371,639. Budget amendments were generally due to three factors: (1) supplemental appropriations and amendments approved after the beginning of the fiscal year to reflect new grants; (2) changes to existing grants and new revenue sources; changes in revenue estimates for the FEFP, and (3) approval of transfers between expenditures. The District maintained its ongoing practice of conservative budgeting and monitoring of expenditures to increase fund balance for emergencies. The actual ending fund balance was more than the final amended budget by $683,310.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2015, is $711,961,288 (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.

Long-Term Debt

At June 30, 2015, the District has total long-term debt outstanding of $301,218,915, composed of certificates of participation and bonds payable. During the fiscal year, the District issued Series 2015A Refunding Certificates of Participation, to refund Series 2005A Certificates of Participation, and Series 2015 Refunding Sales Tax Revenue Bond (STRB) to refund STRB Series 2006.

During the current fiscal year, the District participated in the State Board of Education's issuance of State Bonds. The Florida Department of Education issued Capital Outlay Refunding Bonds, Series 2014B, to refund callable portions of the District's State School Bonds, Series 2005A and 2005B.

Additional information on the District's long-term debt can be found in Note III.I. to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

As previously noted, 44.9 percent of the District's revenues came from the State of Florida, and 35.3 percent came from property and sales taxes. The State's primary source of revenue is sales taxes, which are dependent on consumer spending by residents and tourists. County property taxes are dependent on assessed property values as well as tax payments by homeowners. As a result, changes in tourism, employment, property values, and the arrival of new residents into Florida and into St. Lucie County can significantly impact our expected revenues in any given fiscal year.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any information provided in this report, or requests for additional financial information should be addressed to the Chief Financial Officer, 4204 Okeechobee Road, Ft. Pierce, Florida, 34947.

St. Lucie County District School Board
Statement of Net Position
June 30, 2015

	Primary Government	
	Governmental Activities	Component Units
ASSETS		
Cash and Cash Equivalents	$ 44,164,078	$ 3,144,757
Cash and Cash Equivalents with Fiscal Agent	10,797,094	-
Investments	37,915	-
Accounts Receivable	1,618,641	479
Other Receivables	-	236,747
Deposits Receivable	-	59,672
Due from Other Agencies	10,448,418	26,054
Due from Agency Fund	-	30,566
Due from Management Company	-	34,657
Due from Operating Company	-	1,059,652
Due from Trustee	-	295,308
Prepaid Items	26,713	121,813
Inventories	1,182,126	-
Restricted Cash with Fiscal Agent	162,577	-
Restricted Investments with Fiscal Agent	6,262,275	-
Capital Assets:		
Nondepreciable Capital Assets	45,096,498	-
Depreciable Capital Assets, Net	666,864,790	30,341,441
TOTAL ASSETS	786,661,125	35,351,146
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	22,660,162	-
Net Carrying Amount of Debt Refundings	11,865,902	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	34,526,064	-
LIABILITIES		
Accrued Salaries and Benefits	6,258,207	676,512
Payroll Deductions and Withholdings	3,527,798	-
Accounts Payable	2,387,297	1,050,822
Other Liabilities	-	14,429
Construction Contracts Payable - Retainage	5,541	-
Due to Other Agencies	236	-
Due to Management Company	-	285,000
Due to Leasing Company	-	765,587
Accrued Interest Payable	4,501,707	-
Notes Payable	4,999,938	-
Advanced Revenues	4,502,043	-
Long-Term Liabilities:		
Portion Due Within One Year	17,279,681	639,421
Portion Due After One Year	398,652,817	32,240,286
TOTAL LIABILITIES	442,115,265	35,672,057
DEFERRED INFLOWS OF RESOURCES		
Pensions	50,044,184	-
NET POSITION		
Net Investment in Capital Assets	422,608,275	(2,215,818)
Restricted for:		
State Required Carryover Programs	491,084	-
Debt Service	15,702,484	-
Capital Projects	8,770,674	-
Food Service	5,075,558	-
Fuel Tax Reserve and Local Carryforward	2,351,094	-
Unrestricted	(125,971,429)	1,894,907
TOTAL NET POSITION	$ 329,027,740	$ (320,911)

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, 2015

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Functions/Programs			
Primary Government			
Governmental Activities:			
Instruction	$ 188,547,499	$ 603,553	$ -
Student Personnel Services	13,825,597	-	-
Instructional Media Services	3,881,372	-	-
Instruction and Curriculum Development Services	5,745,302	-	-
Instructional Staff Training Services	7,964,925	-	-
Instructional-Related Technology	262,245	-	-
Board	766,926	-	-
General Administration	3,923,088	-	-
School Administration	21,665,571	-	-
Facilities Acquisition and Construction	7,966,084	-	-
Fiscal Services	1,684,973	-	-
Food Services	20,126,616	4,023,220	17,406,901
Central Services	3,877,492	-	-
Student Transportation Services	23,096,844	121,878	-
Operation of Plant	26,010,048	-	-
Maintenance of Plant	6,398,261	-	-
Administrative Technology Services	3,508,137	-	-
Community Services	658,009	-	-
Unallocated Interest on Long-Term Debt	14,162,536	-	-
Unallocated Depreciation/Amortization Expense*	45,427,854	-	-
Total Primary Government	$ 399,499,379	$ 4,748,651	$ 17,406,901
Component Units			
Charter Schools/Educational Foundation	$ 21,933,435	$ 476,365	$ 667,034

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

Total General Revenues

Change in Net Position

Net Position - Beginning
Adjustment to Beginning Net Position
Net Position - Beginning, as Restated

Net Position - Ending

* This amount excludes the depreciation/amortization that is included in the direct expenses of the various functions.

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government — Governmental Activities	Component Units
$ -	$ (187,943,946)	$ -
-	(13,825,597)	-
-	(3,881,372)	-
-	(5,745,302)	-
-	(7,964,925)	-
-	(262,245)	-
-	(766,926)	-
-	(3,923,088)	-
-	(21,665,571)	-
1,324,799	(6,641,285)	-
-	(1,684,973)	-
-	1,303,505	-
-	(3,877,492)	-
-	(22,974,966)	-
-	(26,010,048)	-
-	(6,398,261)	-
-	(3,508,137)	-
-	(658,009)	-
742,136	(13,420,400)	-
-	(45,427,854)	-
$ 2,066,935	(375,276,892)	-
$ 784,584		(20,005,452)
	95,681,506	-
	24,995,904	-
	15,781,604	-
	201,086,079	19,003,954
	320,503	-
	24,756,989	609,663
	362,622,585	19,613,617
	(12,654,307)	(391,835)
	464,168,089	70,924
	(122,486,042)	-
	341,682,047	70,924
	$ 329,027,740	$ (320,911)

St. Lucie County District School Board
Balance Sheet – Governmental Funds
June 30, 2015

	General Fund	Debt Service - Other Fund	Capital Projects - Sec. 1011.14/1011.15 Notes Fund
ASSETS			
Cash and Cash Equivalents	$ 30,457,189	$ 1,853,477	$ 267,748
Cash and Cash Equivalents with the Fiscal Agent	-	10,432,864	-
Investments	-	-	-
Accounts Receivable	1,230,151	174,334	-
Due from Other Funds	1,763,703	-	-
Due from Other Agencies	2,307,728	-	-
Prepaid Items	-	-	-
Inventories	741,275	-	-
Restricted Cash with the Fiscal Agent	-	1,627	-
Restricted Investments with the Fiscal Agent	-	1,073,275	-
Total Assets	$ 36,500,046	$ 13,535,577	$ 267,748
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accrued Salaries and Benefits	$ 5,355,406	$ -	$ -
Payroll Deductions and Withholdings	3,204,590	-	-
Accounts Payable	1,466,479	-	-
Construction Contracts Payable - Retainage	-	-	-
Due to Other Funds	-	-	-
Due to Other Agencies	236	-	-
Notes Payable	-	-	4,999,938
Advanced Revenues	2,112,895	-	-
Total Liabilities	12,139,606	-	4,999,938
Deferred Inflows of Resources:			
Unavailable Revenue	1,083,588	-	-
Fund Balances:			
Nonspendable	741,275	-	-
Restricted	2,842,178	13,535,577	-
Assigned	3,941,420	-	-
Unassigned	15,751,979	-	(4,732,190)
Total Fund Balances	23,276,852	13,535,577	(4,732,190)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 36,500,046	$ 13,535,577	$ 267,748

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$ 1,869,637	$ 9,654,977	$ 44,103,028
-	364,230	10,797,094
-	37,915	37,915
-	214,156	1,618,641
-	-	1,763,703
2,865,860	5,274,830	10,448,418
-	26,713	26,713
-	440,851	1,182,126
-	160,950	162,577
-	5,189,000	6,262,275
$ 4,735,497	$ 21,363,622	$ 76,402,490
$ -	$ 897,015	$ 6,252,421
-	289,405	3,493,995
9,850	889,507	2,365,836
-	5,541	5,541
677,362	1,086,341	1,763,703
-	-	236
-	-	4,999,938
2,378,828	10,320	4,502,043
3,066,040	3,178,129	23,383,713
-	93,863	1,177,451
-	440,851	1,182,126
1,669,457	17,650,779	35,697,991
-	-	3,941,420
-	-	11,019,789
1,669,457	18,091,630	51,841,326
$ 4,735,497	$ 21,363,622	$ 76,402,490

St. Lucie County District School Board
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total Fund Balances - Governmental Funds			$ 51,841,326
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			711,961,288
Revenues not available to liquidate liabilities in the governmental funds are recorded in the government-wide statements when earned.			1,177,451
The difference between the acquisition price and the net carrying amount of refunded debt is reported as a deferred outflow of resources in the government-wide statements, but is not reported in the governmental funds.			11,865,902
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.			(4,501,707)
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	$ (204,609,875)	
	Bonds Payable	(96,609,040)	
	Other Postemployment Benefits Payable	(13,289,150)	
	Compensated Absences Payable	(13,108,718)	
	Net Pension Liability	(88,315,715)	(415,932,498)
The deferred outflows of resources and deferred inflows of resources related to pensions are applied to future periods and, therefore, are not reported in the governmental funds.			
	Deferred Outflows of Resources Related to Pensions	$ 22,660,162	
	Deferred Inflows Of Resources Related to Pensions	(50,044,184)	(27,384,022)
Net Position - Governmental Activities			$ 329,027,740

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, 2015

	General Fund	Debt Service - Other Fund	Capital Projects - Sec. 1011.14/1011.15 Notes Fund
Revenues			
Intergovernmental:			
Federal Direct	$ 370,987	$ -	$ -
Federal Through State and Local	373,615	-	-
State	170,159,073	-	-
Local:			
Property Taxes	95,681,506	-	-
Local Sales Taxes	-	-	-
Impact Fees	-	-	-
Charges for Services - Food Service	-	-	-
Miscellaneous	19,678,525	907,747	100
Total Local Revenues	115,360,031	907,747	100
Total Revenues	286,263,706	907,747	100
Expenditures			
Current - Education:			
Instruction	178,998,725	-	-
Student Personnel Services	13,611,959	-	-
Instructional Media Services	3,963,770	-	-
Instruction and Curriculum Development Services	1,775,344	-	-
Instructional Staff Training Services	649,012	-	-
Instructional-Related Technology	257,307	-	-
Board	801,352	-	-
General Administration	3,051,565	-	-
School Administration	21,756,542	-	-
Facilities Acquisition and Construction	1,399,270	-	3,521
Fiscal Services	1,646,001	-	-
Food Services	-	-	-
Central Services	3,733,368	-	-
Student Transportation Services	20,731,406	-	-
Operation of Plant	26,242,016	-	-
Maintenance of Plant	6,486,355	-	-
Administrative Technology Services	3,359,998	-	-
Community Services	531,432	-	-
Fixed Capital Outlay:			
Facilities Acquisition and Construction	92,949	-	5,677
Other Capital Outlay	332,117	-	-
Debt Service:			
Principal	-	16,412,083	-
Interest and Fiscal Charges	74,356	13,370,957	-
Total Expenditures	289,494,844	29,783,040	9,198
Excess (Deficiency) of Revenues Over Expenditures	(3,231,138)	(28,875,293)	(9,098)
Other Financing Sources (Uses)			
Transfers In	5,614,962	29,106,895	2,500,005
Refunding Bonds Issued	-	79,880,000	-
Premium on Refunding Bonds	-	13,050,427	-
Refunding Certificates of Participation Issued	-	26,080,000	-
Premium on Refunding Certificates of Participation	-	2,548,472	-
Payments to Refunding Escrow Agent	-	(120,375,303)	-
Sale of Capital Assets	161,436	-	-
Loss Recoveries	57,716	-	-
Transfers Out	(1,010,952)	-	-
Total Other Financing Sources (Uses)	4,823,162	30,290,491	2,500,005
Net Change in Fund Balances	1,592,024	1,415,198	2,490,907
Fund Balances, Beginning	21,684,828	2,005,730	(7,223,097)
Adjustments to Fund Balance	-	10,114,649	-
Fund Balances, Beginning, as Restated	21,684,828	12,120,379	(7,223,097)
Fund Balances, Ending	$ 23,276,852	$ 13,535,577	$ (4,732,190)

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

Capital Projects - Other Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ 990,592	$ 1,361,579
-	44,646,569	45,020,184
-	3,409,525	173,568,598
-	24,995,904	120,677,410
15,781,604	-	15,781,604
5,308,978	-	5,308,978
-	4,023,220	4,023,220
22,722	432,828	21,041,922
21,113,304	29,451,952	166,833,134
21,113,304	78,498,638	386,783,495
-	12,558,948	191,557,673
-	509,078	14,121,037
-	-	3,963,770
-	4,086,642	5,861,986
-	7,422,656	8,071,668
-	11,525	268,832
-	-	801,352
-	976,547	4,028,112
-	390,509	22,147,051
1,576,849	5,308,456	8,288,096
-	81,425	1,727,426
-	20,329,900	20,329,900
-	146,817	3,880,185
-	800,952	21,532,358
-	919	26,242,935
-	-	6,486,355
-	233,449	3,593,447
-	139,078	670,510
96,221	3,683,959	3,878,806
204,690	5,388,946	5,925,753
-	755,000	17,167,083
-	1,456,988	14,902,301
1,877,760	64,281,794	385,446,636
19,235,544	14,216,844	1,336,859
-	1,564,276	38,786,138
-	816,000	80,696,000
-	57,737	13,108,164
-	-	26,080,000
-	-	2,548,472
-	(890,253)	(121,265,556)
-	18,563	179,999
-	3,365	61,081
(22,301,380)	(15,843,131)	(39,155,463)
(22,301,380)	(14,273,443)	1,038,835
(3,065,836)	(56,599)	2,375,694
4,735,293	18,148,229	39,350,983
-	-	10,114,649
4,735,293	18,148,229	49,465,632
$ 1,669,457	$ 18,091,630	$ 51,841,326

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, 2015

Net Change in Fund Balances - Governmental Funds		$ 2,375,694
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current fiscal year.		(37,103,913)
The loss on the disposal of capital assets during the current fiscal year is reported in the statement of activities. In the governmental funds, the cost of these assets was recognized as an expenditure in the fiscal year purchased. Thus, the change in net position differs from the change in fund balance by the undepreciated cost of the disposed assets.		(44,716)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		1,177,451
Certain unavailable revenues reported as revenue in the statement of activities in the prior year became available and are reported as revenues in the governmental funds in the current year.		(1,312,323)
Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term debt is an expense in the governmental funds; whereas, in the statement of activities it reduces long-term liabilities. This is the amount of debt service activity in the current fiscal year.		
Refunding Certificates of Participation Issued	$ (26,080,000)	
Refunded Certificates of Participation	27,660,000	
Repayment of Certificates of Participation	7,440,000	
Refunding Bonds Issued	(80,696,000)	
Refunded Bonds	87,637,917	
Repayment of Bonds	9,727,083	25,689,000
Premiums are reported in the governmental funds in the year the debt is issued, but are capitalized and amortized over the life of the debt in the statement of activities. This is the change in unamortized premiums from prior year to current year:		
Prior Year	$ 6,734,541	
Less: Current Year	(19,513,915)	(12,779,374)
Deferred outflows of resources resulted from the difference in the reacquisition cost of the refunded debt and the net carrying amount are capitalized and amortized over the life of the debt in the statement of activities. This is the change in deferred outflows for debt refunding from the prior to the current fiscal year.		
Deferred Outflows of Resources - Debt Refunding, June 30, 2015	$ 11,865,902	
Deferred Outflows of Resources - Debt Refunding, June 30, 2014	(8,742,752)	3,123,150
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 change in accrued interest from the prior to the current fiscal year.		
Accrued Interest, June 30, 2015	$ (4,501,707)	
Decrease in Accrued Interest for Change in Accounting Principle	3,364,649	
Accrued Interest, June 30, 2014	1,844,050	706,992
In the statement of activities, the cost of compensated absences 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.		(780,374)
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 the other postemployment benefits liability for the current fiscal year.		(492,200)
Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
FRS Pension Contributions	$ 11,498,415	
HIS Pension Contributions	2,431,797	
FRS Pension Expense	(2,951,321)	
HIS Pension Expense	(4,192,585)	6,786,306
Change in Net Position - Governmental Activities		$ (12,654,307)

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

St. Lucie County District School Board
Statement of Net Position – Proprietary Fund
June 30, 2015

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 61,050
LIABILITIES	
Current Liabilities:	
Accrued Salaries and Benefits	5,786
Payroll Deductions and Withholdings	33,803
Accounts Payable	21,461
TOTAL LIABILITIES	$ 61,050

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 Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2015

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges for Services	$ 449,403
OPERATING EXPENSES	
Salaries	333,993
Employee Benefits	95,604
Purchased Services	119,474
Materials and Supplies	246,571
Capital Outlay	23,171
Total Operating Expenses	818,813
Operating Loss	(369,410)
NONOPERATING REVENUES	
Interest Revenue	85
Loss Before Transfers	(369,325)
Transfers In	369,325
Change in Net Position	-
Total Net Position - Beginning	-
Total Net Position - Ending	$ 0

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, 2015

		Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Services	$	449,521
Cash Payments to Suppliers for Goods and Services		(380,030)
Cash Payments to Employees for Services		(390,112)
Net Cash Used by Operating Activities		(320,621)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from Other Funds		369,325
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income		85
Net Increase in Cash and Cash Equivalents		48,789
Cash and Cash Equivalents, Beginning		12,261
Cash and Cash Equivalents, Ending	$	61,050

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	$	(369,410)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Changes in Assets and Liabilities:		
Decrease in Due From Other Agencies		118
Increase in Accounts Payable		9,186
Increase in Accrued Salaries and Benefits		5,682
Increase in Payroll Deductions and Withholdings		33,803
Total Adjustments		48,789
Net Cash Used by Operating Activities	$	(320,621)

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, 2015

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 2,357,429
Accounts Receivable	110
Inventory	91,699
TOTAL ASSETS	$ 2,449,238
LIABILITIES	
Accounts Payable	$ 2,951
Internal Accounts Payable	2,446,287
Total Liabilities	$ 2,449,238

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

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the St. Lucie County School District's (District) 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 student transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The St. Lucie County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the 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 legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading.

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

Blended Component Unit. Blended component units, are in substance, part of the primary District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The St. Lucie County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note III.I.1. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

Discretely Presented Component Units. The component units' columns in the government-wide financial statements include the financial data of the District's other component units. A separate column is used to emphasize that they are legally separate from the District.

The St. Lucie County Education Foundation, Inc. (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization 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 Renaissance Charter School at St. Lucie, a department of Renaissance Charter School, Inc.; Renaissance Charter School at Tradition, a department of Renaissance Charter School, Inc.; College Preparatory Academy of the Treasure Coast, a division of Somerset Academy, Inc.; and the Imagine Charter School at NAU, are not-for-profit corporations organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The charter schools operate under charters approved by their sponsor, the St. Lucie County District School Board. The charter schools are considered to be component units of the District because the District is financially accountable for the charter schools as the District established the charter schools by approval of the charters, which is tantamount to the initial appointment of the charter schools, and there is the potential for the charter schools to impose specific financial burdens on the District. In addition, pursuant to the Florida Constitution, the charter schools are public schools and the District is responsible for the operation, control, and supervision of public schools within the District.

The financial data reported on the accompanying statements was derived from the charter schools' audited financial statements for the fiscal year ended June 30, 2015. The audit reports are filed in the District's administrative offices at 4204 Okeechobee Road, Fort Pierce, Florida, 34947.

C. Basis of Presentation: Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and the internal service fund. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The effects of interfund activity have been eliminated from the government-wide financial statements except for interfund services provided and used.

D. Basis of Presentation: Fund Financial Statements

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Debt Service – Other Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs for the District's certificates of participation and sales tax revenue bonds.
- Capital Projects – Section 1011.14/1011.15 Notes Fund – to account for the financial resources generated by the District's Revenue Anticipation Notes of $12,500,000, borrowed on May 25, 2012, under provisions of Section 1011.14, Florida Statutes, the proceeds of which were used for heating, ventilation, and air conditioning improvements to certain facilities.
- Capital Projects – Other Fund – to account for various financial resources generated by certificates of participation, sales tax revenue bonds, and other debt; impact fees 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 and tropical storms, 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 publications operation.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

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

E. Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year, with the 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditures are generally recognized when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, claims and judgments, pension benefits, other postemployment benefits, and compensated absences, are only recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

The St. Lucie County Education Foundation, Inc., and the charter schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term, highly liquid investments with original maturities of 3 months or less. Investments classified as cash equivalents include amounts placed with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool.

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.

2. Investments

Investments consist of amounts placed with the SBA debt service accounts for investment of debt service moneys and amounts placed with SBA for participation in the Florida PRIME investment pools created by Section 218.405, Florida Statutes. The investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

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

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

3. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption in the course of District operations. Maintenance inventories are stated at cost on the weighted moving average basis, transportation inventories are stated at last invoice cost, which approximates the first-in, first-out basis, and United States Department of Agriculture donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than $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.

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

Description	Estimated Useful Lives
Improvements Other Than Buildings	8 - 40 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Audio Visual Materials and Computer Software	3 - 5 years

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

5. Pensions

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

The District's retirement plans and related amounts are described in a subsequent note.

6. Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. Bonds and certificates of participation premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds and certificates of participation payable are reported net of the applicable bond premium or discount.

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

Changes in long-term liabilities for the current year are reported in a subsequent note.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. The first is the deferred amount on debt refunding reported in the government-wide statement of net position results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is the deferred outflows of resources related to pensions, which is discussed in a subsequent note.

In addition to liabilities, the statement of net position and the governmental funds balance sheet report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting as deferred inflows of resources. The first item is the deferred amount on pension, which is reported only on the government-wide statement of net position. A deferred amount on pension results from the difference in the expected and actual amounts of experience, earnings, and contributions. This amount is deferred and amortized over the service life of all employees that are provided with pensions through the pension plan except earnings which are amortized over 5 years. The remaining items are unavailable revenue. These items arise only under a modified accrual basis of accounting and are reported only in the governmental funds balance sheet.

8. Net Position Flow Assumption

The District occasionally funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund Balance Flow Assumptions

The District may fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). To calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District reported no committed fund balances at June 30, 2015.

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. State Revenue Sources

Significant revenues from State sources for current operations include the Florida Education Finance Program administered by the FDOE 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 FDOE. The FDOE 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 5 months following the date of the original reporting. Such amendments may impact funding allocations for subsequent fiscal years. The FDOE may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the fiscal year when the adjustments are made.

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

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the FDOE.

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

3. District Property Taxes

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

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

The Board adopted the 2014 tax levy on September 9, 2014. 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.

4. 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 20 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.

5. Educational Impact Fees

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 are to be used solely for the purpose of providing capital improvements to the public educational system necessitated by new residential development and are not to 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.

6. 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.

7. Compensated Absences

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

8. Proprietary Fund Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges for printing services. Operating expenses include salaries and benefits and material and supplies. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. ACCOUNTING CHANGES

A. Governmental Accounting Standards Board Statement No. 68.

The District participates in the FRS defined benefit pension plan and the HIS defined benefit pension plan administered by Florida Division of Retirement. As a participating employer, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The beginning net position of the District was decreased by $122,486,042 due to the adoption of this Statement.

B. Method of Reporting Debt Service Payments

The District previously reported debt service payments due on July 1 as expenditures as of June 30 of the previous year. In the 2014-15 fiscal year, the District had a change in accounting method and began recognizing the debt service expenditures in the year in which the debt was due and payable. The change had the effect of increasing the beginning fund balance and cash and cash equivalents with the fiscal agent by $10,114,649 in the Debt Service – Other Fund. In addition, certificates of participation payable and accrued interest payable were increased by $6,750,000 and $3,364,649, respectively. The change was made to more accurately present the total liabilities and cash and cash equivalents with fiscal agent at fiscal year-end. This reporting change affects the comparability of amounts reported for the 2014-15 fiscal year with amounts reported for the 2013-14 fiscal year.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

B. Investments

As of June 30, 2015, the District had the following investments:

Investments	Maturities	Fair Value
SBA:		
Florida PRIME (1) (2)	34 Day Average	$ 24,511,651
Debt Service Accounts	6 Months	37,915
Fidelity Institutional Prime Money Market Portfolio (3)	30 Day Average	6,593,739
Federal Home Loan Banks Discount Note (4)	July 8, 2015	5,189,000
Bank of America Master Repurchase Contract (5)	April 2020	1,073,275
First American Treasury Obligations Fund Class Z (3) (6)	24 Day Average	3,818,087
US Bank Money Market Deposit Account (3)	1 Day Average	381,690
Total Investments, Primary Government		$ 41,605,357

Notes: (1) This investment is classified as a cash and cash equivalent on the basic financial statements.
(2) Includes $5,205 of funds held in trust in connection with Certificates of Participation, Series 2005 and Series 2010B-QSBC, reported as cash and cash equivalents with the fiscal agent.
(3) Composed of funds held in trust in connection with Certificates of Participation, Series 2005, 2011A, 2011B, 2013A, and 2015A, reported as cash and cash equivalents with the fiscal agent.
(4) Composed of funds held in trust in connection with Certificates of Participation, Series 2010B-QSCB and Series 2010C-QSCB, reported as restricted investments with the fiscal agent.
(5) Composed of funds held in trust in connection with Certificates of Participation, Series 2004-QZAB, reported as restricted investments with the fiscal agent.
(6) Includes $1,627 of funds held in connection with Certificates of Participation, Series 2004-QZAB, reported as restricted cash with the fiscal agent.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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 2 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 shall not exceed 5 years.

Florida PRIME and the District's various money market investments use a weighted average days to maturity (WAM). 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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Section 218.415(17), Florida Statutes, limits investments to the SBA's Florida PRIME, or any other intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes; United States Treasury securities, obligations of United States Government Agencies and Instrumentalities, SEC registered money market funds with an average weighted maturity of 90 days or less; certain repurchase agreements, commercial papers; 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 SBE for the benefit of the District. The District relies on policies developed by the SBA for managing interest rate risk and credit risk for this account.

As of June 30, 2015, the District's investments in Florida PRIME and First American Treasury Obligations Fund Class Z are rated AAAm by Standard & Poor's. The Federal Home Loan Banks Discount Note is rated A-1+ by Standard & Poor's. The Bank of America Master Repurchase Contract and the US Bank Money Market Deposit Account are unrated.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy addresses custodial credit risk in that all securities 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. The securities must be held in an account separate and apart from the assets of the financial institution.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's investment policy limits the amounts that may be invested in any one issuer ranging from 25 to 100 percent depending on investment type.

The Federal Home Loan Banks Discount Note represents 12.5 percent of total investments and 99 percent of the investments of the Debt Service – ARRA Economic Stimulus Debt Service Fund.

C. Changes in Capital Assets

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 40,036,880	$ -	$ -	$ 40,036,880
Land Improvements	1,098,646	256,882	-	1,355,528
Construction in Progress	431,151	3,315,747	42,808	3,704,090
Total Capital Assets Not Being Depreciated	41,566,677	3,572,629	42,808	45,096,498
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	14,346,785	173,135	50,512	14,469,408
Buildings and Fixed Equipment	987,327,011	382,422	42,808	987,666,625
Furniture, Fixtures, and Equipment	50,804,463	2,468,664	18,796	53,254,331
Motor Vehicles	30,018,798	3,103,212	-	33,122,010
Audio Visual Materials and Computer Software	19,427,852	538,024	-	19,965,876
Total Capital Assets Being Depreciated	1,101,924,909	6,665,457	112,116	1,108,478,250
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	8,051,597	817,672	12,320	8,856,949
Buildings and Fixed Equipment	301,598,692	41,092,547	42,808	342,648,431
Furniture, Fixtures, and Equipment	45,496,694	2,158,615	12,272	47,643,037
Motor Vehicles	24,719,722	2,081,366	-	26,801,088
Audio Visual Material and Computer Software	14,514,964	1,148,991	-	15,663,955
Total Accumulated Depreciation	394,381,669	47,299,191	67,400	441,613,460
Total Capital Assets Being Depreciated, Net	707,543,240	(40,633,734)	44,716	666,864,790
Governmental Activities Capital Assets, Net	$ 749,109,917	$ (37,061,105)	$ 87,524	$ 711,961,288

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student Transportation Services	$ 1,871,337
Unallocated	45,427,854
Total Depreciation Expense - Governmental Activities	$ 47,299,191

D. Retirement Plans

1. Florida Retirement System (FRS) – Defined Benefit Pension Plans

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred

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

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The District's FRS and HIS pension expense totaled $7,143,906 for the fiscal year ended June 30, 2015.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer-defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* – Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, 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. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	7.37
FRS, Elected County Officers	3.00	43.24
FRS, Senior Management Service	3.00	21.14
FRS, Special Risk Regular	3.00	19.82
DROP - Applicable to		
Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.
(2) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan totaled $11,498,415 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the District reported a liability of $28,926,454 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.474089874 percent, which was an increase of 0.007965494 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the Plan pension expense of $2,951,321. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,790,056
Change of assumptions	5,009,581	-
Net difference between projected and actual earnings on FRS pension plan investments	-	48,254,128
Changes in proportion and differences between District FRS contributions and proportionate share of FRS contributions.	1,153,563	-
District FRS contributions subsequent to the measurement date	11,498,415	-
Total	$ 17,661,559	$ 50,044,184

The deferred outflows of resources related to pensions, totaling $11,498,415, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ (11,238,421)
2017	(11,238,421)
2018	(11,238,421)
2019	(11,238,421)
2020	825,111
Thereafter	247,533
Total	$ (43,881,040)

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

Note: (1) As outlined in the Plan's investment policy.

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability	$ 123,722,287	$ 28,926,454	$ (49,925,591)

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

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of $1,477,059 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2015.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled $2,431,797 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2015, the District reported a net pension liability of $59,389,261 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the District's proportionate share of benefit payments expected to be paid within 1 year, net of the District's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The District's proportionate share of the net pension liability was based on the District's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the District's proportionate share was 0.63516269 percent, which was an increase of 0.005668751 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized the HIS Plan pension expense of $4,192,585. In addition, the District reported deferred outflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources
Differences between expected and actual experience	$ -
Change of assumptions	2,113,306
Net difference between projected and actual earnings on HIS pension plan investments	28,508
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	424,992
District contributions subsequent to the measurement date	2,431,797
Total	$ 4,998,603

The deferred outflows of resources, totaling $2,431,797, was related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ 416,530
2017	416,530
2018	416,530
2019	416,530
2020	409,403
Thereafter	491,283
Total	$ 2,566,806

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	4.29 percent

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

While an experience study had not been completed for the plan, the FRS Actuarial Assumptions Conference reviewed the actuarial assumptions for the plan.

Discount Rate. The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.29 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
District's proportionate share of the net pension liability	$ 67,550,476	$ 59,389,261	$ 52,576,983

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

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of $366,672 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2015.

2. FRS – Defined Contribution Pension Plan

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

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

The District's Investment Plan pension expense totaled $2,336,138 for the fiscal year ended June 30, 2015.

Payables to the Pension Plan. At June 30, 2015, the District reported a payable of $289,371 for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended June 30, 2015.

E. Other Postemployment Benefit Obligations

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical and prescription life insurance coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The District does not offer any explicit subsidies for retiree coverage. Retirees are assumed to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The OPEB Plan does not issue a stand-alone report, and is not included in the report of a public employee retirement system or other entity.

Funding Policy. Plan contribution requirements of the District and OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. The District has not advance-funded or established a funding methodology for the annual OPEB costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2014-15 fiscal year, 156 retirees received postemployment healthcare benefits and 296 received postemployment life insurance benefits. The District provided contributions of $964,749 toward the annual OPEB cost, net of retiree contributions totaling $1,410,578, which represents 0.92 percent of covered payroll.

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

Description	Amount
Normal Cost (service cost for 1 year)	$ 812,546
Amortization of Unfunded Actuarial Accrued Liability	688,914
Annual Required Contribution	1,501,460
Interest on Net OPEB Obligation	511,878
Adjustment to Annual Required Contribution	(556,389)
Annual OPEB Cost (Expense)	1,456,949
Contribution Toward the OPEB Cost	(964,749)
Increase in Net OPEB Obligation	492,200
Net OPEB Obligation, Beginning of Year	12,796,950
Net OPEB Obligation, End of Year	$ 13,289,150

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2015, and the 2 preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012-13	$ 1,941,803	52.60%	$ 11,940,910
2013-14	1,682,933	49.13%	12,796,950
2014-15	1,456,949	66.22%	13,289,150

Funded Status and Funding Progress. As of January 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was $15,537,327, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $15,537,327 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $153,835,880, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 10.1 percent.

Actuarial valuations of an ongoing OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress immediately following the notes to financial statements presents multiyear trend information about whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

The District’s OPEB actuarial valuation as of January 1, 2015, used the individual entry age normal actuarial cost method to estimate the unfunded actuarial liability as of June 30, 2015 and to estimate the District’s 2014-15 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 7 percent initially beginning January 1, 2016. Under this model, assumed trend rates decline from 7 percent assumed for the year beginning January 1, 2016, to the ultimate level of 4.24 percent beginning January 1, 2040. The investment rate of return and payroll growth rate include a general price inflation of 2.5 percent. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on closed basis over a 30-year period. The remaining amortization at June 30, 2015, was 23 years.

F. Other Significant Commitments

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

The following is a schedule of encumbrances at June 30, 2015:

Major Funds			
General	Capital Projects – Other	Nonmajor Governmental Funds	Total Governmental Funds
$ 1,577,955	$ 573,878	$ 5,625,196	$ 7,777,029

G. Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The St. Lucie County District School Board is a member of the South Central Educational Risk Management Program (SCERMP), a consortium under which several 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 the Consortium. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program.

The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. Member school boards are also 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. The Board of Directors for the Consortium is composed of superintendents of all participating districts. Ascension Benefits & Insurance Solutions of Florida, serves as the third-party administrator and fiscal agent for SCERMP.

Property damage coverage is managed by SCERMP by purchase of excess property coverage through commercial insurance carriers for property loss claims in excess of $100,000 (except wind/hail/flood), respectively. The named wind/hail/hurricane deductible is 5 percent of replacement cost value with a minimum of $100,000 per occurrence. The deductibles for all other wind events are $100,000. Special hazard flood area deductibles are $500,000 per building and $500,000 contents plus $100,000 time element per occurrence. The flood deductible outside a special flood hazard area is $100,000. SCERMP's purchased excess property loss limit during the 2014-15 fiscal year was $100 million. Flood/Earthquake loss limit is also $100 million. Workers' compensation claims are limited based on a per claim self-insured retention. The self-insured retention for the 2014-15 fiscal year was $1,000,000. SCERMP purchases excess liability coverage through a commercial insurance carrier, which covers workers' compensation losses in excess of the self-insurance retention. Employers' liability is included subject to $2,000,000 per occurrence and $2,000,000 aggregate. The District is protected by Section 768.28, Florida Statutes, under the Doctrine of Sovereign Immunity, which effectively limits the amount of liability of governmental entities for tort claims to $200,000 per claim and $300,000 per occurrence.

The District's health insurance, life insurance, dental insurance and vision care plan are being provided through purchased commercial insurance

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

H. Changes in Short-Term Debt

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

	Beginning Balance	Additions	Deductions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Tax Anticipation Note	$ -	$ 25,000,000	$ 25,000,000	$ -
Revenue Anticipation Note	7,500,000	-	2,500,062	4,999,938
Total Governmental Activities	$ 7,500,000	$ 25,000,000	$ 27,500,062	$ 4,999,938

Tax Anticipation Note. The Tax Anticipation Note, Series 2014, with an interest rate of 1.5 percent and net interest costs of 0.0946 percent, was issued on September 25, 2014, for $25,000,000, and matured on March 1, 2015. The proceeds were utilized for payment of operating expenses incurred for the District's schools for the 2014-15 fiscal year in anticipation of ad valorem taxes levied and collected for the same year.

Revenue Anticipation Note. On May 25, 2012, the District Issued Revenue Anticipation Note (RAN), Series 2012A in the amount of $12,500,000. The proceeds were used for heating, ventilation, and air conditioning improvements to certain facilities. The Note was issued at an interest rate of 1.3934 percent, matured on May 15, 2015, and was extended for 1 year, to mature on May 15, 2016. The Note may be extended each year for a period of 4 years.

I. Long-Term Liabilities

1. Certificates of Participation

Certificates of participation at June 30, 2015, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
2004-QZAB	$ 1,277,000	(1)	2020	$ 1,277,000
2005	1,295,000	3.50	2015	38,600,000
2007	18,645,000	4.00 - 4.50	2033	21,865,000
2010B-QSCB	12,232,000	0.47 (2)	2027	12,232,000
2010C-QSCB	8,000,000	0.39 (2)	2028	8,000,000
2011A, Refunding	40,710,000	4.00	2021	54,850,000
2011B, Refunding	12,725,000	3.60 - 5.00	2023	12,725,000
2013A, Refunding	77,065,000	2.00 - 5.00	2030	77,255,000
2015A, Refunding	26,080,000	3.00 - 5.00	2031	26,080,000
Total Certificates of Participation	$ 198,029,000			

Notes: (1) Interest on this debt is paid by the United States Government through the issuance of Federal income tax credits to the holder of the QZAB. The rate of return to the holders was established by the United States Government at the time of the sale.

(2) Series 2010B and Series 2010C are designated as "qualified school construction bonds" as defined in Section 54F of the Internal Revenue Code, and pursuant to Section 6431 of the Code, the Board has elected to receive federal subsidy payments on each interest payment date for the certificates in an amount equal to the lesser of the amount of interest payable with respect to the certificates on such date or the amount of interest which would have been payable with respect to the certificates if the interest were determined at the applicable tax credit rate for the certificates pursuant to Section 54A(3)(b) of the Code. The interest rate for the 2010B Certificates is 5.87 percent with an allowed Federal subsidy of 5.40 percent. The interest rate for the 2010C Certificates is 5.24 percent with allowed Federal subsidy of 4.85 percent. For the Series 2010B and Series 2010C Certificates, payments of $719,529 and $470,588, respectively are deposited into a sinking fund annually. The accumulated amount in this fund is to be used to repay the principal amount of these certificates upon maturity.

The Series 2004 QZAB Certificates. The District entered into a financing agreement dated April 30, 2004, under the Qualified Zone Academy Bonds (QZAB) Program. The QZAB Program provides no-interest cost financing to purchase certain goods and services for schools located in eligible District areas (zones). The District secured financing of $1,277,000 through the issuance of Certificates of Participation, Series 2004-QZAB. Repayment of the original $1,277,000 financing proceeds is due in full on April 29, 2020. In connection with the financing, the District was required to make annual deposits to a sinking fund of $165,545.25 for 5 consecutive years beginning July 1, 2005. The required deposits, along with the accrued interest, will be sufficient to repay the debt at maturity. The invested assets accumulated pursuant to this agreement are held under a custodial agreement until the debt matures.

The Series 2005 Certificates. The District entered into a financing arrangement on September 21, 2005, which was characterized as a lease-purchase agreement, with the Leasing Corporation whereby the District secured financing of $38,600,000 for various educational facilities. The Series 2005 Certificates were to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Leasing 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 arrangement which may be up to 30 years from the date of inception of the arrangement.

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

As a condition of the financing arrangement, the District has given a ground lease on District property to the Leasing Corporation, with a rental fee of $10 per year. The initial term of the lease is 25 years commencing on January 1, 2007. 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 arrangement which may be up to 30 years from the date of inception of the arrangement.

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 sub-lessee. The term of the sublease commenced on January 31, 2007, and extends through June 30, 2021. In accordance with the sublease, TCUS will remit Charter School capital funds to the Trustee for deposit to the TCUS Fund.

The Series 2010B-QSCB Certificates. The District entered into a financing arrangement on June 29, 2010, which was characterized as a lease-purchase agreement, with the Leasing Corporation whereby the District secured financing of $12,232,000 for various educational facilities. The Series 2010B Certificates were to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Leasing Corporation, with a rental fee of $10 per year. The initial term of the lease is 17 years commencing on June 29, 2010. 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 arrangement which may be up to 17 years from the date of inception of the arrangement.

The Series 2010C-QSCB Certificates. The District entered into a financing arrangement on September 30, 2010, which was characterized as a lease-purchase agreement, with the Leasing Corporation whereby the District secured financing of $8,000,000 for various educational facilities. The Series 2010C Certificates were to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Leasing Corporation, with a rental fee of $10 per year. The initial term of the lease is 17 years commencing on October 1, 2010. 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 arrangement which may be up to 17 years from the date of inception of the arrangement.

The Series 2011A Refunding Certificates. The District entered into a financing arrangement on May 3, 2011, which was characterized as a lease-purchase agreement, with the Leasing Corporation whereby the District secured financing of $54,850,000 to refund a portion of Certificates of Participation, Series 2001A, B, and C, and Certificates of Participation, Series 2003A. The Series 2011A Refunding Certificates were to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Leasing Corporation, with a rental fee of $10 per year. The initial term of the lease is 22 years commencing on May 3, 2011. 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 arrangement which may be up to 22 years from the date of inception of the arrangement.

The Series 2011B Refunding Certificates. The District entered into a financing arrangement on January 5, 2012, which was characterized as a lease-purchase agreement, with the Leasing Corporation whereby the District secured financing of $12,725,000 to refund a portion of Certificates of Participation, Series 2001A, B, and C, and Certificates of Participation, Series 2003A. The Series 2011B Refunding Certificates were to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Leasing Corporation, with a rental fee of $10 per year. The initial term of the lease is 11 years commencing on January 5, 2012. 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 arrangement which may be up to 11 years from the date of inception of the arrangement.

The Series 2013A Refunding Certificates. The District entered into a financing arrangement on March 20, 2013, which was characterized as a lease-purchase agreement, with the Leasing Corporation whereby the District secured financing of $77,255,000 to refund a portion of Certificates of Participation, Series 2003A and Certificates of Participation, Series 2004A. The Series 2013A Refunding Certificates are to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Leasing Corporation, with a rental fee of $10 per year. The initial term of the lease is 17 years commencing on March 20, 2013. 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 arrangement which may be up to 17 years from the date of inception of the arrangement.

The Series 2015A Refunding Certificates. The District entered into a financing arrangement on December 3, 2014, which was characterized as a lease-purchase agreement, with the Leasing Corporation whereby the District secured financing of $26,080,000 to refund Certificates of Participation, Series 2005A. The Series 2015A Refunding Certificates are to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given a ground lease on District property to the Leasing Corporation, with a rental fee of $10 per year. The initial term of the lease is 15 years commencing on December 3, 2014. 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 arrangement which may be up to 15 years from the date of inception of the arrangement.

The District properties included in the various ground leases under these arrangements include:

Certificates	Description of Properties
Series 2004-QZAB	Technology-related Equipment at 19 schools
Series 2005	Treasure Coast High School Improvements Westgate K-8 School
Series 2007	Palm Pointe Educational Research School at Tradition
Series 2010B-QSCB	Lincoln Park Academy Additions and Renovations
Series 2010C-QSCB	Lincoln Park Academy Additions and Renovations
Series 2011A & 2011B	District Administration Building Fairlawn Elementary School Frances K. Sweet Elementary School Dan McCarty Middle School Ft. Pierce Magnet School of the Arts
Series 2013A	Rivers Edge Elementary School Savanna Ridge Elementary School Southern Oaks Middle School Dan McCarty Middle School Addition St. Lucie Elementary School Addition Lincoln Park Academy Additions and Renovations Oak Hammock K-8 School Treasure Coast High School
Series 2015	Westgate K-8 School Treasure Coast High School Improvements

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

Fiscal Year Ending June 30	Total	Principal	Interest
2016	$ 16,083,593	$ 7,900,000	$ 8,183,593
2017	15,979,822	8,080,000	7,899,822
2018	15,966,672	8,385,000	7,581,672
2019	15,953,147	8,710,000	7,243,147
2020	17,231,472	10,347,000	6,884,472
2021-2025	79,835,130	51,880,000	27,955,130
2026-2030	97,849,718	85,362,000	12,487,718
2031-2033	17,939,238	17,365,000	574,238
Total Minimum Lease Payments	276,838,792	198,029,000	78,809,792
Plus: Net Unamortized Premium	6,580,875	6,580,875	-
Total Minimum Lease Payments	$ 283,419,667	$ 204,609,875	$ 78,809,792

2. Bonds Payable

Bonds payable at June 30, 2015, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2009A, Refunding	$ 210,000	5.0	2019
Series 2011A, Refunding	385,000	3.0 - 5.0	2023
Series 2014B, Refunding	816,000	2.0 - 5.0	2020
District Revenue Bonds:			
Sales Tax Revenue Bonds, Series 2001	2,385,000	4.8 - 5.0	2031
Sales Tax Revenue Bonds, Series 2015, Refunding	79,880,000	2.0 - 5.0	2027
Total Bonds Payable	$ 83,676,000		

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

Sales Tax Revenue Bonds

- Series 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.

- Series 2015

  The School Board issued Sales Tax Refunding Revenue Bonds, Series 2015, in the amount of $79,880,000 on May 15, 2015. These bonds are authorized by Chapter 1001 Florida Statutes, and Chapter 212, Florida Statutes and a resolution of the Board adopted on March 24, 2015. These bonds are secured by a pledge of proceeds received by the District from the levy and collection of a one-half cent discretionary sales surtax pursuant to Section 212.055(6), Florida Statutes. Proceeds from the bonds were used refund Sales Tax Revenue Bonds, Series 2006.

  The District pledged a total of $122,860,284 of discretionary surtax sales revenue (sales tax revenues) in connection with the Sales Tax Revenue Bonds, Series 2015 issue described above. During the 2014-15 fiscal year, the District recognized sales tax revenues totaling $15,781,604 and expended $9,981,685 (63 percent) of these revenues for debt service directly collateralized by these revenues. The pledged sales tax revenues are committed until final maturity of the debt, or October 1, 2026. Assuming a nominal growth rate in the collection of sales tax revenue, which are levied, unless extended, through December 31, 2026, approximately 48 percent of this revenue stream has been pledged in connection with debt service on the revenue bonds.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2016	$ 669,079	$ 598,000	$ 71,079
2017	348,910	311,000	37,910
2018	179,360	157,000	22,360
2019	121,510	107,000	14,510
2020	67,160	58,000	9,160
2021-2023	192,200	180,000	12,200
Total State School Bonds	1,578,219	1,411,000	167,219
Sales Tax Revenue Bonds:			
2016	4,100,744	2,510,000	1,590,744
2017	9,537,750	5,605,000	3,932,750
2018	9,537,500	5,830,000	3,707,500
2019	9,536,000	6,120,000	3,416,000
2020	9,545,000	6,435,000	3,110,000
2021-2025	47,706,250	37,315,000	10,391,250
2026-2030	19,743,500	18,240,000	1,503,500
2031	220,500	210,000	10,500
Total District Revenue Bonds	109,927,244	82,265,000	27,662,244
Plus: Net Unamortized Premium	12,933,040	12,933,040	-
Total	$ 124,438,503	$ 96,609,040	$ 27,829,463

3. Defeased Debt

On December 2, 2014, the SBE issued Series 2014-B, with an average interest rate of 5 percent to effectuate a savings in debt service costs. The District's portion of the Series 2014-B bonds, totaling $816,000, was used to refund the $860,000 principal amount of Series 2005A and Series 2005B that mature on or after January 1, 2016. The District's pro rata share of the net proceeds of the Series 2014-B bonds, $872,337 (including a premium at issuance of $57,737 and after deduction of $1,400 by the FDOE for the District's pro rata share of underwriting fees, insurance, and other issuance cost), was to call and redeem the District's portion of the remaining outstanding debt on January 1, 2015.

On May 14, 2015, the Board issued $79,880,000 in Sales Tax Revenue Bonds, Series 2015-A, with an average interest rate of 4.98 percent, to advance-refund the remaining $90,170,000 of the District's Sales Tax Revenue Bond, Series 2006 that mature on or after October 1, 2015. The net proceeds of $92,104,145 (including a premium at issuance of $13,050,427 after payment of $821,864 in underwriting fees, insurance, and other issuance costs) was placed in an irrevocable trust to provide for the future debt service payments on the Sales Tax Revenue Bond, Series 2006. As a result, the Sales Tax Revenue Bonds, Series 2006 are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements. The Sales Tax Revenue Bonds were refunded to reduce its total debt service payments over the next 11 years by approximately $12,627,932 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $7,727,994.

On January 6, 2015, the Board issued $26,080,000 in Certificates of Participation, Series 2015-A, with an average interest rate of 4.07 percent, to advance-refund the remaining $27,660,000 of the District's Certificates of Participation, Series 2005-A which mature after July 1, 2016. The net proceeds of $28,270,740 (including a premium at issuance of $2,548,472 and after payment of $357,732 in underwriting fees, insurance, and other issuance costs) was placed in an irrevocable trust to provide for the future debt service payments on the Certificates of Participation, Series 2005-A. As a result, the Certificates of Participation, Series 2005-A are considered to be in-substance defeased and the liability for these bonds has been removed from the government-wide financial statements. The Certificates of Participation Series 2005-A were refunded to reduce its total debt service payments over the next 15 years by approximately $3,247,301 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt of $2,596,396.

4. Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable (1)	$ 207,049,000	$ 26,080,000	$ 35,100,000	$ 198,029,000	$ 7,900,000
Unamortized Premiums/Discounts	4,597,586	2,548,472	565,183	6,580,875	600,414
Certificates of Participation Payable, Net	211,646,586	28,628,472	35,665,183	204,609,875	8,500,414
Bonds Payable	100,345,000	80,696,000	97,365,000	83,676,000	3,108,000
Unamortized Premium	2,136,955	13,108,164	2,312,079	12,933,040	1,164,027
Bonds Payable, Net	102,481,955	93,804,164	99,677,079	96,609,040	4,272,027
Other Postemployment Benefits Payable	12,796,950	1,456,949	964,749	13,289,150	-
Compensated Absences Payable	12,328,344	3,293,899	2,513,525	13,108,718	2,513,525
Net Pension Liability (2)	135,046,476	15,873,857	62,604,618	88,315,715	1,993,715
Total Governmental Activities	$ 474,300,311	$ 143,057,341	$ 201,425,154	$ 415,932,498	$ 17,279,681

Notes: (1) The beginning balance was adjusted to reflect the change in accounting principle. See Note II.B. to the financial statements.
(2) The beginning balance resulted from the implementation of GASB Statement No. 68.

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

J. Fund Balance Reporting

The following is a schedule of fund balances by category at June 30, 2015:

	Major Funds					
	General	Debt Service - Other	Capital Projects - Section 1011.14/1011.15 Notes	Capital Projects - Other	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances						
Nonspendable:						
Inventories	$ 741,275	$ -	$ -	$ -	$ 440,851	$ 1,182,126
Restricted:						
State Required Carryover	491,084	-	-	-	-	491,084
Local Required Carryover	647,478	-	-	-	-	647,478
Fuel Tax Reserve	1,703,616	-	-	-	-	1,703,616
Food Service	-	-	-	-	4,634,707	4,634,707
Debt Service	-	13,535,577	-	-	5,914,855	19,450,432
Capital Projects	-	-	-	1,669,457	7,101,217	8,770,674
Assigned:						
Voluntary Prekindergarten	2,363,465	-	-	-	-	2,363,465
Educational Materials	1,577,955	-	-	-	-	1,577,955
Unassigned	15,751,979	-	(4,732,190)	-	-	11,019,789
Total Fund Balances	$ 23,276,852	$ 13,535,577	$ (4,732,190)	$ 1,669,457	$ 18,091,630	$ 51,841,326

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

- **Nonspendable Fund Balance**. Nonspendable fund balance is the net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash.
- **Restricted Fund Balance**. Restricted fund balance is the portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance.
- **Unassigned Fund Balance**. The unassigned fund balance is the portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned for specific purposes.

  The Capital Projects – Section 1011.14/1011.15 Notes fund contains a deficit fund balance of $4,732,190 for funds related to notes issued pursuant to Sections 1011.14 and 1011.15, Florida Statutes. The deficit fund balance occurred because the short-term debt is a fund liability while the capital assets constructed with the note proceeds are considered long-term and are not recorded in the fund financial statements. The deficit is expected to be restored when the District pays the obligation in its entirety.

K. Interfund Receivables and Payables

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

	Interfund	
Funds	**Receivables**	**Payables**
Major:		
General	$ 1,763,703	$ -
Capital Projects:		
Other	-	677,362
Nonmajor Governmental	-	1,086,341
Total	$ 1,763,703	$ 1,763,703

Interfund receivables and payables are generally temporary loans between funds to cover operating expenses. These amounts are expected to be repaid within 1 year.

L. Revenues

1. Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2014-15 fiscal year:

Source	Amount
Florida Education Finance Program	$ 125,358,542
Categorical Educational Program - Class Size Reduction	42,226,906
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,358,032
School Recognition Funds	1,134,334
Voluntary Prekindergarten Program	857,534
Charter School Capital Outlay	784,583
Gross Receipts Tax (Public Education Capital Outlay)	729,612
Food Service Supplement	285,993
Mobile Home License Tax	221,652
Discretionary Lottery Funds	138,172
Miscellaneous	473,238
Total	$ 173,568,598

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

2. Property Taxes

The following is a summary of millages and taxes levied on the 2014 tax roll for the 2014-15 fiscal year:

General Fund	Millages	Taxes Levied
Nonvoted School Tax:		
Required Local Effort	4.993	$ 86,233,035
Basic Discretionary Local Effort	0.748	12,918,549
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	1.500	25,906,193
Total	7.241	$ 125,057,777

M. Interfund Transfers

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

Funds	Interfund Transfers In	Interfund Transfers Out
Major:		
General	$ 5,614,962	$ 1,010,952
Debt Service:		
Other	29,106,895	-
Capital Projects:		
Section 1011.14/1011.15 Notes	2,500,005	-
Other	-	22,301,380
Nonmajor Governmental	1,564,276	15,843,131
Internal Service	369,325	-
Total	$ 39,155,463	$ 39,155,463

Interfund transfers are generally intended to cover maintenance expenditures, to provide payments to charter schools for capital outlay, and debt service obligations as permitted by law.

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

A. Litigation

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District, except as noted below and in the subsequent events note.

The following lawsuit is pending and material in nature:

Renaissance Charter School, Inc. and Renaissance Charter School at Tradition vs. St. Lucie County School Board, State of Florida, Division of Administrative Hearings, Case Nos. 14-3267 and 14-4045RU. The financial impact could be in excess of \$300,000. The case is currently on appeal to the 4th District Court of Appeals and a ruling is not expected until late 2016 or early 2017.

V. SUBSEQUENT EVENTS

On September 8, 2015, there was a judgment in the amount of $8.7 million in the case of Lilian Beauchamp, as Personal Representative of the Estate of Aaron Beauchamp vs. The St. Lucie County School District; IC Bus, LLC; BESI, Inc.; IMMI, Inc.; I-10 RV, Inc. a/k/a or d/b/a Rivers Bus Sales, Inc.; and C.E. White. The damages in the above case exceed the balance of the School Board's sovereign immunity cap, which is $300,000, and will not be payable until there is legislative action as the District has met the statutory cap. SCERMP will cover any amounts up to the immunity cap.

On October 6, 2015, the School Board of St. Lucie County issued Tax Anticipation Notes in the amount of $16 million. The note proceeds will provide the District with interim funds for the payment of operating expenditures for the 2015-16 fiscal year in anticipation of the receipt of ad valorem taxes levied and collected for the same year. The notes were issued at an interest rate of 1.25 percent.

Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2015

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 279,000	$ 370,987	$ 370,987	$ -
Federal Through State and Local	1,279,560	373,615	373,615	-
State	164,174,867	170,159,073	170,159,073	-
Local:				
Property Taxes	98,645,956	95,681,506	95,681,506	-
Miscellaneous	16,928,528	18,843,355	19,678,525	835,170
Total Local Revenues	115,574,484	114,524,861	115,360,031	835,170
Total Revenues	281,307,911	285,428,536	286,263,706	835,170
Expenditures				
Current - Education:				
Instruction	181,595,397	178,998,725	178,998,725	-
Student Personnel Services	13,406,262	13,611,959	13,611,959	-
Instructional Media Services	4,169,481	3,963,770	3,963,770	-
Instruction and Curriculum Development Services	1,591,948	1,775,344	1,775,344	-
Instructional Staff Training Services	614,317	649,012	649,012	-
Instructional - Related Technology	272,494	257,307	257,307	-
Board	882,383	801,352	801,352	-
General Administration	2,373,304	3,051,565	3,051,565	-
School Administration	21,326,149	21,756,542	21,756,542	-
Facilities Acquisition and Construction	1,672,277	1,399,270	1,399,270	-
Fiscal Services	1,990,194	1,646,001	1,646,001	-
Food Services	4,390	-	-	-
Central Services	4,569,693	3,733,368	3,733,368	-
Student Transportation Services	20,700,716	20,731,406	20,731,406	-
Operation of Plant	25,430,151	26,242,016	26,242,016	-
Maintenance of Plant	7,083,047	6,486,355	6,486,355	-
Administrative Technology Services	3,793,643	3,359,998	3,359,998	-
Community Services	320,721	531,432	531,432	-
Fixed Capital Outlay:				
Facilities Acquisition and Construction	-	92,949	92,949	-
Other Capital Outlay	-	332,117	332,117	-
Debt Service:				
Principal	-	-	-	-
Interest and Fiscal Charges	69,916	74,356	74,356	-
Total Expenditures	291,866,483	289,494,844	289,494,844	-
Deficiency of Revenues Over Expenditures	(10,558,572)	(4,066,308)	(3,231,138)	835,170
Other Financing Sources (Uses)				
Transfers In	5,982,000	5,766,822	5,614,962	(151,860)
Sale of Capital Assets	9,465	161,436	161,436	-
Loss Recoveries	2,422	57,716	57,716	-
Transfers Out	(1,942,767)	(1,010,952)	(1,010,952)	-
Total Other Financing Sources	4,051,120	4,975,022	4,823,162	(151,860)
Net Change in Fund Balances	(6,507,452)	908,714	1,592,024	683,310
Fund Balances, Beginning	21,684,828	21,684,828	21,684,828	-
Fund Balances, Ending	$ 15,177,376	$ 22,593,542	$ 23,276,852	$ 683,310

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
01/01/11	$ -	$ 30,265,874	$30,265,874	0.0%	$164,348,668	18.4%
01/01/13	-	14,952,662	14,952,662	0.0%	152,922,081	9.8%
01/01/15	-	15,537,327	15,537,327	0.0%	153,835,880	10.1%

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

Schedule of the District's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan (1)

	2014	2013
District's proportion of the FRS net pension liability	0.474089874%	0.466124380%
District's proportionate share of the FRS net pension liability	$ 28,926,454	$ 80,240,752
District's covered-employee payroll	$158,429,655	$153,725,992
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	18.26%	52.20%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

Schedule of District Contributions – Florida Retirement System Pension Plan (1)

	2015	2014
Contractually required FRS contribution	$ 11,498,415	$ 10,384,580
FRS contributions in relation to the contractually required contribution	(11,498,415)	(10,384,580)
FRS contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$161,888,142	$158,429,655
FRS contributions as a percentage of covered-employee payroll	7.10%	6.55%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

Schedule of the District's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan (1)

	2014	2013
District's proportion of the HIS net pension liability	0.635162690%	0.629493939%
District's proportionate share of the HIS net pension liability	$ 59,389,261	$ 54,805,724
District's covered-employee payroll	$ 188,719,016	$ 182,872,212
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.47%	29.97%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

Schedule of District Contributions – Health Insurance Subsidy Pension Plan (1)

	2015	2014
Contractually required HIS contribution	$ 2,431,797	$ 2,175,854
HIS contributions in relation to the contractually required contribution	(2,431,797)	(2,175,854)
HIS contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 193,145,356	$ 188,719,016
HIS contributions as a percentage of covered-employee payroll	1.26%	1.15%

Note: (1) The amounts presented for each fiscal year were determined as of June 30.

1. Budgetary Basis of Accounting

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

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

2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions. As of June 30, 2014, the inflation rate assumption was decreased from 3 percent to 2.6 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

3. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Change of Assumptions. The municipal bond rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.

St. Lucie County District School Board
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass -Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	14002	$ 3,515,761.66	$ -
National School Lunch Program	10.555 (2)(A)	14001, 14003	13,182,540.99	-
Summer Food Service Program for Children	10.559	14006, 14007	139,300.91	-
Total Child Nutrition Cluster			16,837,603.56	-
Fresh Fruit and Vegetable Program	10.582	13004	166,122.10	-
Florida Department of Health:				
Child and Adult Care Food Program	10.558	302	238,801.22	-
Total United States Department of Agriculture			17,242,526.88	-
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	8,691,083.23	42,541.86
Special Education - Preschool Grants	84.173	266, 267	341,682.31	-
Total Special Education Cluster			9,032,765.54	42,541.86
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	14,500,952.13	12,601.70
Migrant Education - State Grant Program	84.011	217	144,879.80	-
Career and Technical Education - Basic Grants to States	84.048	161	464,524.98	-
Education for Homeless Children and Youth	84.196	127	43,521.19	-
Charter Schools	84.282	298	420,218.06	420,218.06
Twenty-First Century Community Learning Centers	84.287	244	648,382.11	-
English Language Acquisition Grants	84.365	102	338,563.67	-
Improving Teacher Quality State Grants	84.367	224	1,502,741.32	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RA111, RG311	429,112.37	-
Total United States Department of Education			27,525,661.17	475,361.62
United States Department of Health and Human Services:				
Direct:				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	18,412.76	-
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	370,987.29	-
Total Expenditures of Federal Awards			$ 45,157,588.10	$ 475,361.62

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

(2) Noncash Assistance – National School Lunch Program. Includes $1,488,355.29 of donated food used during the fiscal year. Donated foods used are valued at fair value as determined at the time of donation.

Sherrill F. Norman, CPA
Auditor General

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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 18, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the school internal funds and the charter schools, reported as discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

District's Response to Findings

District's response to the findings identified in our audit is described in the accompanying **MANAGEMENT'S RESPONSE**. District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 18, 2016

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
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 FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited the St. Lucie County District School Board's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30 2015. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 18, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
CFDA Numbers:	Name of Federal Program or Cluster:
10.553, 10.555, and 10.559	Child Nutrition Cluster
84.027 and 84.173	Special Education Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	$1,354,727
Auditee qualified as low-risk auditee?	No

ADDITIONAL MATTERS

Finding 1: Payroll Processing Procedures

Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. The District pays noninstructional employees, (e.g. administrative and professional employees) on a payroll-by-exception basis whereby employees are paid a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available leave for the required number of hours in the pay period.

During the 2014-15 fiscal year, the District reported salary costs of $52.1 million for noninstructional employees. According to District personnel, to document leave taken, noninstructional employees submit online leave requests to their supervisors who review and approve the requests online, and the payroll system automatically reduces the employees' leave balances or creates an unpaid record as necessary. Although the District maintained records of employee leave used, the District did not require noninstructional employees to prepare time sheets or other records to document their time worked.

In response to our inquiry, District personnel indicated that time sheets are not maintained for noninstructional employees because leave is entered and approved by supervisors and the payroll-by-exception methodology is used. Notwithstanding the District's response, without evidence of time worked and documented supervisory review and approval of noninstructional employee time worked, there is limited assurance that the employee services were provided consistent with Board expectations. In addition, without appropriate records of time worked and supervisory review, there is an increased risk that employees may be incorrectly compensated and employee leave balances may not be accurate.

Recommendation: The District should establish a mechanism for noninstructional employees to report time worked and also implement procedures requiring supervisors to document the review and approval of such time.

Follow-up to Management's Response

The District indicates in the written response that District staff have reviewed different time-and-attendance systems and have consistently determined that the cost/burden of those systems outweigh the potential benefits. However, given the District's responsibility to monitor the noninstructional employees' services and the significant costs totaling $52.1 million associated with these services for the 2014-15 fiscal year, records of attendance and time worked by noninstructional employees, reviewed and approved by applicable supervisors, are necessary to demonstrate that the services provided by the employees were consistent with Board expectations.

Finding 2: Bus Drivers

State Board of Education (SBE) rules[1] require the District to obtain and review the Florida Department of Highway Safety and Motor Vehicles (FDHSMV) driver's history record for school bus drivers prior to initial employment and the first day of the Fall semester. Thereafter, the District is to continuously screen bus driver records using automated weekly updates. Board policy[2] and the District's Safe Driver Plan require the District to account for bus driver driving infractions and preventable accidents (i.e., accidents in which drivers fail to exercise every reasonable precaution to avoid the accident) using a point system that, depending on the points accumulated, require certain administrative actions against the drivers. The administrative actions could be documented warnings, suspensions without pay, or employment termination. The Transportation Department maintains a log of points assessed to drivers and drivers are required to self-report all driving infractions and preventable accidents to the Transportation Director.

During the 2014-15 fiscal year, the District employed 315 school bus drivers. District personnel indicated that they periodically review school bus driver history records and supporting documentation to verify that the drivers are appropriately licensed and we found that District records were kept to evidence the verification process. To determine whether the District administered disciplinary actions pursuant to the District's Safe Driver Plan for the 2014-15 fiscal year, we:

- Selected 5 bus drivers from the population of 12 bus drivers who received driving infractions and were listed on the log of points assessed and evaluated District actions related to the infractions. While the District assessed points to the 5 bus drivers, according to District personnel, the District did not take disciplinary action against any of the 5 bus drivers. The disciplinary actions prescribed by the Safe Driver Plan for the 5 bus drivers' infractions ranged from a documented warning to a 1-day suspension without pay.
- Reviewed the driving records for 30 bus drivers selected from the population of 315 bus drivers and found that 1 bus driver had been in a preventable accident. While the District assessed points to the bus driver, District personnel indicated that the District did not suspend the driver for 1 day without pay, as prescribed by the Safe Driver Plan.

In response to our inquiry, District personnel indicated that, instead of assigning one employee to maintain the log of points assessed, several employees maintained the log, which contributed to the lack of consistent disciplinary actions. Subsequent to our inquiry, the District assigned one employee to maintain the log. To promote school bus safety, it is important for District personnel to comply with the District's Safe Driver Plan by taking appropriate administrative action for driving citations and preventable accidents.

Recommendation: District personnel should comply with the District's Safe Driver Plan by taking appropriate administrative action against bus drivers for driving citations and preventable accidents.

[1] SBE Rule 6A-3.0141(6), Florida Administrative Code.

[2] Board Policy 6.173, Safe Driver Plan.

Finding 3: Transportation Department Inventory

To maintain and repair buses during the 2014-15 fiscal year, the District's Transportation Department purchased parts and supplies with costs totaling $1.4 million and, at June 30, 2015, the cost of the parts and supplies inventory totaled $418,861. To appropriately account for and safeguard the parts and supplies purchased by the Transportation Department, appropriate internal controls, including controls to adequately separate the incompatible duties of purchasing, receiving and issuing parts, and maintaining the parts and supplies inventory tracking system and controls to restrict access to the inventory, are necessary.

Our procedures, including discussions with District personnel and review of inventory records, disclosed that the District did not always provide for an appropriate separation of duties related to the inventory or restrict access to the inventory. For example, the Parts Manager and Assistant Parts Managers received and issued inventory, had unrestricted access to the inventory, and adjusted the inventory tracking system. Additionally, eight employees, including the Fleet Manager, two garage foremen, two lead technicians, the Parts Manager, and two Assistant Parts Managers, had unrestricted access to the inventory and the ability to update the inventory tracking system. Also, at one location, the service technicians had unrestricted access to the inventory when the Assistant Parts Manager was not on duty, limiting the District's ability to effectively fix responsibility should a theft of inventory occur.

In response to our inquiry, District personnel indicated that the employees need access to update the inventory tracking system because they share the workload of entering data into the system. District personnel also indicated that the Transportation Department is active from 5:00 a.m. to 6:00 p.m., requiring someone on each shift at each location to have access to the inventory tracking system and parts inventory. However, without appropriate separation of duties and restricted access to inventory, there is an increased risk of theft or inappropriate use of inventories without timely detection. If it is not practical to separate the duties with existing staff, compensating controls, such as periodic reviews of inventory purchases and issues (performed by personnel independent of the inventory function) or supervisory review and approval of inventory transactions, are necessary.

Recommendation: The District should enhance procedures to ensure an appropriate separation of duties exists related to the Transportation Department inventory and properly restrict access to that inventory. If it is not practical for the District to adequately separate the duties with existing personnel, the District should implement compensating controls to ensure the parts and supplies purchased by the Transportation Department are appropriately accounted for and safeguarded.

Finding 4: Budget Transparency

To promote responsible spending, more citizen involvement, and improved accountability, it is important for the District to provide easy access to its budget and related information. Pursuant to State law,[3] the District must prominently post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable and readily accessible to the public.

[3] Section 1011.035(2), Florida Statutes.

At the time of our review in April 2015, the District had not prominently posted on its Web site the Board-adopted proposed, tentative, and official budgets for the 2014-15 fiscal year. While the District disclosed Board actions, such as the Board-adopted tentative and official budgets in the Board meeting minutes accessible on the District's Web site, given the volume of information contained in the minutes, the budget information was not readily accessible. District personnel indicated that the budget information was not posted on the Web site due to an oversight. Subsequent to our inquiry, the District posted the required budgets on its Web site in October 2015.

Providing the required budgetary transparency enhances involvement of citizens and their ability to analyze the budget, monitor its implementation, and evaluate outcomes.

Recommendation: The District should ensure that proposed, tentative, and official budgets are timely and prominently posted on its Web site.

Finding 5: Monthly Financial Reports

State Board of Education (SBE) rules[4] require the Superintendent, at least monthly, to submit financial statements (reports) for use and consideration by the Board. Our review of District records for the 2014-15 fiscal year disclosed that, contrary to SBE rules, the Superintendent only submitted financial reports during 5 months of the 2014-15 fiscal year, reducing the effectiveness of the Board's financial monitoring procedures.

In response to our inquiry, District personnel indicated that they believed the District complied with the monthly financial reporting requirement as the Superintendent submitted multiple financial reports during those 5 months. Notwithstanding this response, the Superintendent did not submit financial reports to the Board during 7 months of the 2014-15 fiscal year.

Subsequent to our initial inquiry, we noted that the District improved monthly reporting procedures by submitting to the Board financial reports each month for the months of July through October 2015. Financial reports submitted each month to the Board provide the Board with financial information upon which to make effective and efficient management decisions and to help avoid financial mismanagement.

Recommendation: The District should continue efforts to ensure that financial reports are provided monthly to the Board.

Follow-up to Management's Response

In the written response, the District quotes SBE Rule 6A-1.008, Florida Administrative Code, which states, "At least monthly the superintendent of schools shall submit, for use and consideration of the school board, a financial statement in a form prescribed by the school board." The District also indicates that, since a specific time range for submission is not identified in the rule, the District was in compliance with the rule. Notwithstanding the District's response, the rule clearly establishes a specific time range, which is at least monthly, for financial statement (report) submission to the Board and the District was in noncompliance with the rule for 7 months as the District only submitted financial reports during 5 months of the 2014-15 fiscal year. Consequently, the finding and related recommendation stand as presented.

[4] SBE Rule 6A-1.008, Florida Administrative Code.

Finding 6: Virtual Instruction Program – Provider Contracts

To ensure appropriate controls over student-teacher ratios established in contracts with Florida Department of Education (FDOE) approved virtual instruction program (VIP) providers, District records need to evidence the basis upon which District personnel determined the reasonableness of the contract-established ratios. Additionally, to ensure appropriate controls over data quality, security measures, and provider contract compliance, VIP provider contracts need to contain necessary provisions to establish the District's expectations for these providers.

During the 2014-15 fiscal year, the District had 152 full-time and 37 part-time students participating in VIPs. Of these students, 16 full-time students were enrolled in VIPs administered pursuant to District contracts with an FDOE-approved provider and the Florida Virtual School (FLVS). Our review of the FDOE-approved provider contract and the FLVS contract disclosed that:

- Although the contract with the FDOE-approved provider established student-teacher ratios, the ratios appeared disproportionate as the ratios ranged from 65:1 (for kindergarten through grade 8) to 250:1 (for grades 9 through 12 elective courses). District personnel indicated that they reviewed the ratios in the contract and that the ratios were found to be more reasonable than what was offered through their own virtual school; however, District records did not evidence the basis upon which District personnel determined the reasonableness of the ratios. Without records documenting the reasonableness of established ratios, there is an increased risk that the number of students in the VIP classes may be excessive and reduce the quality of the provider's virtual instruction.
- The FDOE-approved provider contract did not include data quality requirements. VIP providers are to maintain significant amounts of education data to support the VIP administration and to meet District reporting needs for compliance with State funding, information, and accountability requirements in State law.[5] Accordingly, it is essential that accurate and complete data maintained by the provider on behalf of the District be readily available. Inclusion of data quality requirements in the provider contract would help ensure that District expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to the provider.
- The FDOE-approved provider and FLVS contracts did not specify any minimum required security controls the District considered necessary to protect the confidentiality, availability, and integrity of critical and sensitive education data. While the contracts contained requirements for the provider to implement, maintain, and use appropriate administrative, technical, or physical security measures required by Federal law,[6] without specified minimum required security controls, there is an increased risk that provider information security and other information technology (IT) controls may not be sufficient to protect the education data.
- The FDOE-approved provider and FLVS contracts did not provide for the District's monitoring of provider compliance with contract terms, including those related to the confidentiality of student records or the quality of instruction. Without such a provision, District personnel may be limited in their ability to perform such monitoring.

[5] Section 1008.31, Florida Statutes.

[6] The Family Educational Rights and Privacy Act (Title 20, Section 1232g, United States Code).

Recommendation: The District should ensure that District records document the reasonableness of the student-teacher ratios established in the FDOE-approved VIP provider contract, and that VIP provider contracts include the provisions necessary to promote quality instruction and education data integrity and provide for the monitoring of VIP provider compliance.

Follow-up to Management's Response

The District indicates in the written response that the District informally surveyed other school districts and determined that it would maintain similar virtual instruction student-teacher ratios as other districts. Notwithstanding this response, District records did not evidence considerations of other school district ratios or a documented determination of acceptable ratios. Consequently, we continue to recommend that District records document the reasonableness of the student-teacher ratios established in the FDOE-approved VIP provider contract.

Finding 7: Information Technology – Access Privileges

Access controls are intended to protect District data and IT resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions inconsistent with their areas responsibilities. Our review of selected IT access privileges to the District's network and business application, including finance and human resources (HR), disclosed some access privileges that were unnecessary or that permitted employees to perform incompatible functions. Specifically, we found that:

- District network domain administrators had the ability to update the District's network directory services schema (i.e., components for the structure, control, and storage of information in the directory) that resulted from an inappropriate configuration for separating directory administration access privileges. For example, if the network directory services schema is improperly updated, users may not be able to access shared folders or application programs, such as the District's finance and human resource applications, e-mail, and other applications. Modifications to the schema affect the entire District network directory and are effectively controlled by being limited to only those that are necessary and that are thoroughly tested and approved prior to implementation. Restricting the access to update the network directory services schema reduces the risk of compromise and unauthorized configuration changes to the directory. Subsequent to our inquiry, District management removed the ability to update the schema from the domain administrators' privileges.
- Four Information Technology Services (ITS) programmers had the ability to update critical finance transactions (i.e., add and update vendor records and information, create and approve requisitions and invoices, and process vendor payments) and HR transactions (i.e., add and update employee records, information, positions, and deductions; adjust rates of pay; enter time adjustments; and initiate payroll processing). These access privileges were contrary to an appropriate separation of IT technical support responsibilities and application end-user responsibilities. In addition, the Coordinator of Accounting had the ability to update critical finance transactions contrary to an appropriate separation of duties.
- An ITS Technology Trainer and Systems Analyst had systemwide access privileges that allowed update access to all functions within the finance and HR applications, including transaction origination, correction, and changes to finance and payroll data and security tables. Complete update access privileges to all application functions were unnecessary for the day-to-day responsibilities of these employees and contrary to an appropriate separation of duties.

Although the District had controls in place (e.g., review of change or edit reports and budgetary restrictions) to mitigate some of the control deficiencies noted above, the existence of inappropriate or unnecessary IT access privileges increases the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur. Similar findings were noted in our report Nos. 2010-182 and 2013-171.

Recommendation: The District should ensure that IT access privileges enforce an appropriate separation of duties and restrict employees to only those functions necessary for their assigned job duties. In addition, after detection, unnecessary or inappropriate access privileges should be timely removed.

Finding 8: Information Technology – Security Controls – User Authentication and Logging and Monitoring of System Activity

Security controls are intended to protect the confidentiality, integrity, and availability of District data and IT resources. Our audit procedures disclosed certain District security controls related to user authentication and logging and monitoring of system activity 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 adequate security controls related to user authentication and logging and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings related to user authentication were communicated to District management in connection with our report Nos. 2010-182 and 2013-171.

Recommendation: To ensure the continued confidentiality, integrity, and availability of District data and IT resources, the District should improve security controls related to user authentication and logging and monitoring of system activity.

Follow-up to Management's Response

The District's response indicates that "we respectfully disagree with this finding, as ITS has made significant changes to enhance security controls since the older audit findings to comply with current industry best practice and audit recommendations." While the District has made changes to enhance security controls, our audit procedures disclosed certain District security controls related to user authentication and logging and monitoring of system activity that continue to need improvement. Consequently, we continue to recommend that the District improve security controls related to user authentication and logging and monitoring of system activity.

Finding 9: Information Technology – Security Incident Response Plan

Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include provisions for a team trained in incident response, notification to affected parties, and incident analysis and assessment of additional actions needed.

Although the District's computer security incident response plan included an *Incident Response Guideline* that outlined procedures for responding to electronic and physical security incident types, the plan did not include:

- Established procedures for capturing and maintaining events associated with an incident.
- Identification of response team members trained in roles and responsibilities.
- An established process for involving the appropriate local, State, and Federal authorities.
- An established process, pursuant to State law,[7] for notifying applicable parties when the breach of security of confidential personal information has occurred or is reasonably believed to have occurred.

Subsequent to our inquiry, District management updated the *Incident Response Guideline* to identify the response team members trained in roles and responsibilities.

Should an event occur that involves the potential or actual compromise, loss, or destruction of District data or IT resources, the absence of a comprehensive computer security incident response plan may result in District management's failure to take appropriate and timely actions to prevent further loss or damage to the District's data and IT resources. A similar finding was noted in our report No. 2013-171.

Recommendation: The District should continue efforts to enhance its computer security incident response plan to establish procedures for capturing and maintaining security events and processes, involving the appropriate authorities, and notifying the applicable parties when a breach of security has occurred.

Follow-up to Management's Response

The District's response indicates that "we disagree that this is similar to a previous finding. Subsequent to the older finding, we developed an incident response guideline that was presented during this audit." Notwithstanding the District's response, the current and previous findings are similar because each identify security incident response plan deficiencies.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in previous audit reports, except as noted in Findings 7, 8, and 9 and shown in Table 1.

Table 1
Findings Also Noted in Previous Audit Reports

Finding	2011-12 Fiscal Year Audit Report No. 2013-171, Finding	2008-09 Fiscal Year Audit Report No. 2010-182, Finding
7	9	5
8	11	8
9	12	Not Applicable

[7] Section 501.171, Florida Statutes.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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
2013-171 (1)	Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 - ARRA, and 84.392 - ARRA) - Matching, Level of Effort, and Earmarking	The District's local fiscal effort for the Special Education program services decreased from the 2010-11 fiscal year, resulting in a maintenance of effort shortfall of $267,432.	Partially Corrected.	District provided requested information to the Florida Department of Education and the resolution of questioned costs is pending.

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March 18, 2016

Sherrill F. Norman, CPA
Auditor General
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Auditor General Norman:

We have reviewed the preliminary and tentative audit findings and recommendations which may be included in a report to be prepared on your audit of the St. Lucie County District School Board for the fiscal year ended June 30, 2015.

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

Finding #1: Payroll Processing Procedures (the District does not maintain evidence of time worked for non-instructional employees). The District agrees with the statement that timesheets are not maintained by most non-instructional personnel (bus drivers do use an electronic time-and-attendance system) and that the District utilizes a "payroll by exception method". With our "exception only" process, time-off transactions are initiated by the employee, and approved by the employee's supervisor. This information is then used by the Payroll Department to make adjustments, if necessary, to the employee's paycheck. District staff have reviewed different time-and-attendance systems, and given the limited exposure to over-payment of employees, (based on historical data) we have consistently determined that the cost/burden of those systems outweigh the potential benefits, so staff continue to recommend utilizing the "payroll by exception" method – at least until a cost-effective and efficient time-and-attendance system is identified.

Finding #2: Bus Drivers (the District did not comply with the Driver's Safe Driver Plan): Bus drivers are subject to the Safe Driver Plan which defines discipline for certain driving related infractions. In the event of infractions received by law enforcement, the employee is responsible for self-reporting the charge to the department.

In the event of preventable accidents involving a school bus, an accident review committee meets monthly and assesses points based on the dollar value of the accident. In either case, points are not assessed until the completion of the process which is the meeting of the accident review committee and any subsequent appeals, and in the case of a citation, the completion of any court processes, until found guilty or adjudication is withheld. Either of these processes can take months before they are resolved to the point that the discipline prescribed by the Safe Driver Plan is imposed.

Previously, the Transportation Department had several employees involved in the process, and no single person was specifically charged with making sure that employees were tracked through the process to the final outcome. In the cases that were noted by the auditors, the process was not followed through to completion. To ensure this does not recur, we have assigned a single individual to track every driver through the process to completion. Additionally, updated forms have been introduced to more clearly document a bus driver's official "warning" or "reprimand".

Finding #3: Transportation Department Inventory (the District should enhance procedures to ensure an appropriate separation of duties, and properly restrict access to that inventory).

The Parts Shop at both of our North and South compounds are open from 5am to 6pm daily. Because of this 13-hour "operational window", no single Parts employee (at either facility) is able to cover the entire 13-hour period. Understanding that multiple employees will require access to the parts rooms, the department is adding additional safeguards (compensating controls), such as locks that are operated by the ID badge of the employee to better track access to parts storage areas. Any area where parts and materials are stored will be secured and only accessible by key personnel.

Also, the Parts Shop is in the process of implementing a new parts-inventory software, which will allow for the review of access rights of each person accessing the system, and also allow for the implementation of best practices for inventory management/control. For example, the new software provides for a better separation of functions, such as the separation of the ability to delete a transaction from those employees that have the ability to post transactions.

Additionally, a written inventory procedure manual is being developed to clearly define roles and responsibilities. Enhanced procedures will include the requirement that incoming parts orders (from bus technicians) be processed by the parts clerks, and the associated invoices and other paperwork will be approved by the receiving clerk, parts manager, fleet manager, and finally the bookkeeper. Also, management will review of a sample of work orders (daily), with follow-up "spot checks" to ensure that provided parts were actually installed.

Finding #4: Budget Transparency (the District's 2014-15 summary budget not initially posted to the District's website).

At the end of the budget adoption process, the District's Webmaster is provided with the final budget documents. However, for the 2014-15 fiscal year, there was an issue with the file and this issue prevented it from being uploaded to the website. The upload problem was corrected and the budget documents were subsequently loaded on the District's website (i.e., this should not be an issue with future budget documents).

Finding #5: Monthly Financial Reports (not all reports submitted within 60 days of month end, reports not submitted for 7 months). We disagree with the finding as it pertains to timely reporting. The SBE Rule 6A-1.0008 states, "At least monthly the superintendent of schools shall submit, for use and consideration of the school board, a financial statement in a form prescribed by the school board." Since a specific time range for submission is not identified in the rule, the district was in compliance with the rule. The auditor general's wording further suggests that monthly financial reports were not submitted for 7 months, when in fact monthly financial reports were submitted for all of the 12 months in the fiscal year and this can be verified by referencing the board minutes. Additionally, in accordance with rule 6A-1.0071(2), Florida Administrative Code, "The annual financial report and all official parts thereof must be submitted to the Commissioner no later than September 11 of each year". The annual financial report satisfies the monthly financial reporting requirement for the month of June, and the district was in full compliance with this rule. The September 11 date exceeds 60 days of month end and therefore we believe we were in full compliance with both rules and the recommendation of the auditor general is not supported by the rules.

Finding #6: Virtual Instruction Program-Provider Contracts (the District records did not evidence the basis for determining the reasonableness of the contract-established ratios and the District did not ensure that VIP provider contracts contain provisions outlining district expectations). In the early stages of opening our district VIPs, St. Lucie district administration informally surveyed other districts during the Florida District Instruction Network Program Symposium in Jacksonville to gather pertinent information surrounding teacher-student ratios among other topics. It was determined at that time we would maintain similar teacher-student ratios as other districts. This informal survey of other districts' virtual program features, along with the FLDOE Virtual Education FAQ document were used to determine reasonableness of the teacher student ratios for our VIPs. This survey document was shared with the auditor in an earlier request.

With little direction provided by the department of education with regard to teacher-student ratios in virtual education classrooms and funding only being tied to completion /performance, our district decided to utilize ratios comparable to those reported by other Florida districts with virtual programs.

The providers are expected to comply with state statute and they have done this evidenced by their contracts. The following sources used by our district for decision-making purposes regarding VIP providers is located on the technical assistance page from the FLDOE for prospective VIP providers. This provider application process does not specify to prospective providers the expectations for student-teacher ratio by numerical values but instead only requires that student-teacher ratios should be identified by grade band and differentiate between core and elective courses and this information must be displayed prominently on the provider's website. Both providers have complied according to these sources.

Source: http://www.fldoe.org/core/fileparse.php/7509/urlt/6A-6-0981-Final-from-F-A-C-.pdf

e. Strategies to ensure comprehensible instruction for students with limited English proficiency.
Upon request, the applicant will provide access for a virtual walk-through of courses during the review phase of the application process.

(d) The applicant will disclose on a prominent place on its website the disclosure information required under Section 1002.45(2)(a)8., F.S. Average student-teacher ratios are to be calculated for full-time and part-time teachers and for core and elective courses for the following grade-level bands: grades K-3, grades 4-8, and grades 9-12. The total number of students assigned to full-time teachers must be provided. Student completion rate calculations are to include all students who are enrolled for more than fourteen (14) calendar days. Student performance accountability outcomes are to include student assessment results for all

This provider application document does not specify to the provider the expectations for student-teacher ratio but only that this is displayed prominently on the provider's website. The District reviewed the ratios and found them to be reasonable.

Source: http://www.fldoe.org/core/fileparse.php/7509/urlt/VIP-Application-Walkthrough-2015.pdf

Disclosure Requirements: To be posted by **September 30**. Applicant must provide link in application.

Must include all items specified and everything within each item or it will not meet requirement. (Remember an applicant must meet all requirements to be approved)

- Additional notes on the following items:
    - Make sure policies specifically addressed in application questions in Part 2 are very easy to locate on your Disclosure Website.

- Provide average teacher-student ratios **and** teacher loads (total students assigned to a teacher). Applicant must provide information by class size bands (K-3, 4-8, 9-12). Provide for core and elective and for PT/FT.
- Completion rates- include any students who are enrolled for more than 14 days.

Finding #7: Information Technology-Access Privileges (the Districts' ITS access privileges did not enforce an appropriate separation of duties). Domain Administrators no longer have authority to update the network schema. Programmers no longer have the ability to update critical financial transactions in production HR and Finance. The ITS trainer and analyst no longer have full update ability in production HR and Finance.

Finding #8: Information Technology-Security Controls-User Authentication and Logging and Monitoring of System Activity (the District should improve user authentication, logging and monitoring of system activity). We respectfully disagree with this finding, as ITS has made significant changes to enhance security controls since the older audit findings to comply with current industry best practice and audit recommendations. We believe that we now comply with recommended best practice controls. We also believe that implementing these unnecessary controls would have a negative impact on efficiency of the IT systems in the district.

Finding #9: Information Technology – Security Incident Response Plan (the District should enhance its computer security incident response plan). The District does agree with the recommendation, however we disagree that this is similar to a previous finding. Subsequent to the older finding, we developed an incident response guideline that was presented during this audit. We did take note of the most recent recommendations above and we now have both an incident response guideline as well as an incident response plan which addresses all concerns.

This concludes our response to the preliminary and tentative audit findings and recommendations dated February 9, 2016.

We would like to thank the audit team for their assistance during the review.

Sincerely,

E. Wayne Gent
Superintendent

EWG/mt

Cc: Timothy Bargeron
Michelle Thomas
Terence O'Leary
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