

**DISTRICT SCHOOL BOARD OF
ST. LUCIE COUNTY, FLORIDA**

FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

And Reports of Independent Auditor

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

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FINANCIAL SECTION

Report of Independent Auditor

The Honorable Members of the School Board
District School Board of St. Lucie County
Ft. Pierce, Florida

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 District School Board of St. Lucie County, Florida (the "District"), as of and for the year ended June 30, 2016, 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 Renaissance Charter School of St. Lucie, Renaissance Charter School at Tradition, Somerset College Preparatory Academy, and the Imagine Charter School at NAU, which represent 99.57 percent of assets, 99.99 percent of liabilities, and 96.79 percent of revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aggregate discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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 District as of June 30, 2016, and the respective changes in financial position and, where

applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the other 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.

Other 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Orlando, Florida
March 21, 2017

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

The Management of the District School Board of St. Lucie County (District) has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2016.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-16 fiscal year included:

- Net position of the District decreased \$12,850,824, in comparison to the 2014-15 fiscal year, which represents a 3.91% decrease.
- General revenues total \$378,775,744, or 93.90% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$24,599,718 or 6.10%.
- Expenses totaled \$416,226,286. Only \$24,599,718 of these expenses were offset by program-specific charges, with the remainder paid from general revenues. Total expenses exceeded total revenues by \$12,850,824.
- The assigned fund balance for the general fund was \$3,559,441, and the unassigned fund balance for the general fund was \$15,705,278. 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 \$19,264,719 at June 30, 2016, or 6.33% of general fund expenditures. The prior year sum of the assigned and unassigned fund balances in the general fund was \$19,693,399, or 6.80% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

The 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 and business-type activities of the primary government 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. The sum of assets and deferred outflows of resources less the sum of 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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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, adult, and exceptional education. Support functions, such as transportation and administration, are also included. Local property taxes and the state's education finance program provide most of the resources that support these activities.
- Component units – The District presents the St. Lucie County Educational Foundation, Inc.; Renaissance Charter School at St. Lucie; Renaissance Charter School at Tradition; Somerset College Preparatory Academy; 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 (Corporation), although also a legally separate entity, was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the District and the Corporation, the Corporation has been included as an integral part of the primary government.

Fund Financial Statements

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

- 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 allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

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

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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, other federal programs special revenue fund, other debt service fund, section 1011.14/1011.15 notes capital projects fund, non-voted capital improvements capital projects fund, and other capital projects 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 and other federal programs special revenue 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 obligation to provide other postemployment benefits to its employees.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The following tables present summary information on net position and the changes in net position for the 2015-16 fiscal year:

Net Position, End of Year		
	2016	2015
Current and Other Assets	\$ 85,385,048	\$ 74,699,837
Capital Assets	671,337,365	711,961,288
Total Assets	756,722,413	786,661,125
Pensions	31,258,621	22,660,162
Net Carrying Amount of Debt Refundings	10,774,698	11,865,902
Total Deferred Outflows of Resources	42,033,319	34,526,064
Long Term Liabilities	442,590,148	415,932,498
Other Liabilities	23,673,715	26,182,767
Total Liabilities	466,263,863	442,115,265
Deferred Inflows of Resources	16,314,954	50,044,184
Net Position		
Net Investment in Capital Assets	391,505,272	422,608,275
Restricted	44,849,958	32,390,894
Unrestricted	(120,178,314)	(125,971,429)
Total Net Position	\$ 316,176,916	\$ 329,027,740

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, furniture 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 increased by \$5,793,115, from June 30, 2015, to June 30, 2016. The unrestricted net position may be used to meet the District's ongoing obligations to students, employees, and creditors.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2016 and June 30, 2015 are as follows:

	Operating Results for the Year	
	Governmental Activities	
	June 30, 2016	June 30, 2015
Program Revenues:		
Charges for Services	\$ 3,846,345	\$ 4,748,651
Operating Grants and Contributions	18,671,344	17,406,901
Capital Grants and Contributions	2,082,029	2,066,935
General Revenues:		
Property Taxes, Levied for Operations Purposes	101,017,672	95,681,506
Property Taxes, Levied for Capital Projects	26,201,497	24,995,904
Local Sales Taxes	15,948,807	15,781,604
Grants and Contributions not Restricted		
to Specific Programs	211,601,707	201,086,079
Unrestricted Investment Earnings	-	320,503
Miscellaneous	24,006,061	24,756,989
Total Revenues	403,375,462	386,845,072
Program Expenses:		
Instruction	198,666,256	188,547,499
Pupil Personnel Services	14,619,244	13,825,597
Instructional Media Services	3,940,398	3,881,372
Instruction and Curriculum Development Services	6,243,819	5,745,302
Instructional Staff Training Services	8,324,532	7,964,925
Instruction Related Technology	232,392	262,245
Board of Education	617,741	766,926
General Administration	3,879,313	3,923,088
School Administration	22,810,881	21,665,571
Facilities Acquisition and Construction	9,999,578	7,966,084
Fiscal Services	1,945,356	1,684,973
Food Services	20,265,514	20,126,616
Central Services	4,269,337	3,877,492
Pupil Transportation Services	22,971,512	23,096,844
Operation of Plan	28,984,093	26,010,048
Maintenance of Plant	6,850,721	6,398,261
Administrative Technology Services	3,640,841	3,508,137
Community Services	840,976	658,009
Interest on Long-Term Debt	11,156,911	14,162,536
Unallocated Depreciation/Amortization Expense	45,966,871	45,427,854
Total Functions/Program Expense	416,226,286	399,499,379
Decrease in Net Position	(12,850,824)	(12,654,307)
Net Position, Beginning	329,027,740	341,682,047
Net Position, Ending	\$ 316,176,916	\$ 329,027,740

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Significant revenue sources included property and sales taxes, representing 35.49% of total revenues, and State revenues, representing 43.37% of total government-wide revenues. Revenues from State sources for current operation are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Other state revenues are primarily for acquisition, construction, and maintenance of education facilities.

Instructional expenses continued to be the major component of District outlays, representing 47.73% of total expenses. Total expenses increased \$16,726,907, or 4.19% from the 2014-15 fiscal year.

Grants and contributions not restricted to specific programs represented 52.46% of total governmental revenues in the 2015-16 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 increased by \$10,515,628, or 5.23%.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, its unassigned balance is \$15,705,278, while the total fund balance is \$22,545,545. The unassigned fund balance decreased by \$46,701 from the unassigned fund balance for the 2015-16 fiscal year, and total fund balance decreased by \$731,307.

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

- Increases in property tax revenue due to increases in property valuation
- Increase in miscellaneous revenues due to the FCC overhaul of the E-rate program
- Revenue increases were offset by increases in instruction and plant expenditures

The Other Debt Service Fund has a restricted fund balance of \$12,396,052, as compared to \$13,535,577 for the 2014-15 fiscal year. This is used to account for the debt service payments related to certificates of participation and sales tax bonds.

The Section 1011.14/1011.15 Notes Capital Project 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 balance of \$2,160,317. The fund balance deficit decreased \$2,571,873 from the prior year, primarily due to scheduled payments on the Revenue Anticipation Note.

The Non-voted Capital Improvements Capital Projects Fund had a total fund balance of \$11,166,299, which was an increase over the prior year fund balance of \$5,507,654. This increase in fund balance was due to projects that were encumbered in the current fiscal year but not expended. Those project balances caused the fund balance to increase in the current fiscal year and are to be allocated appropriately in the following year.

The Other Capital Projects Fund has a total fund balance of \$4,935,943. The fund balance increased during the fiscal year by \$3,266,488, as a result of ongoing capital projects, net of transfers.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2015-16 fiscal year, the District amended its general fund budget several times, which resulted in an increase of total budgeted revenues amounting to \$8,862,567, or 3.03%. At the same time, final appropriations were greater than the original budgeted amounts by \$1,732,025. Budget amendments were generally due to three factors: supplemental appropriations and amendments approved after the beginning of the fiscal year to reflect new grants; changes to existing grants and revenue sources and changes in revenue estimates for the State of Florida Education Finance Program (FEFP); and approval of transfers between expenditures. The District maintained its ongoing practice of conservative budgeting and monitoring of expenditures in order to increase fund balance for emergencies. The actual ending fund balance was more than the original budget by \$6,537,282.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2016, is \$391,505,272 (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, 2016, the District has total long-term debt outstanding of \$288,446,474, composed of certificates of participation and bonds payable.

Additional information on the District's long-term debt can be found in Note 6 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

As previously noted, 43.37% of the District's revenues came from the State of Florida, and approximately 35.49% 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 financial report is designed to provide a general overview of the St. Lucie County District School Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 4204 Okeechobee Road, Ft. Pierce, Florida 34947.

BASIC FINANCIAL STATEMENTS

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
STATEMENT OF NET POSITION

JUNE 30, 2016

	Primary Government	
	Governmental Activities	Component Units
ASSETS		
Cash and cash equivalents	\$ 55,117,519	\$ 2,926,331
Investments	19,230	138,000
Accounts receivable, net	1,070,627	116,937
Deposits receivable	-	76,435
Due from other agencies	9,458,811	1,401,184
Inventory	1,348,827	-
Prepaid items and other assets	16,537	112,470
Restricted assets:		
Cash and cash equivalents	17,249,590	-
Investments	1,103,907	-
Capital assets:		
Nondepreciable capital assets	42,308,135	-
Depreciable capital assets, net	629,029,230	29,474,659
Total assets	\$ 756,722,413	\$ 34,246,016
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	\$ 31,258,621	\$ -
Deferred loss on Refunding Debt	10,774,698	-
Deferred outflows of resources	\$ 42,033,319	\$ -
LIABILITIES		
Salaries, benefits, and payroll taxes payable	10,721,349	\$ 715,660
Accrued interest	4,547,226	97,346
Accounts payable	3,561,763	1,457,210
Notes payable	2,499,962	-
Unearned revenue	2,343,415	13,321
Noncurrent liabilities:		
Portion due within one year:		
Notes payable	-	8,007
Bonds payable	7,080,027	-
Certificates of participation payable	8,680,414	-
Obligations under capital leases	-	555,512
Liability for compensated absences	2,386,737	27,968
Other postemployment benefits obligation	986,699	-
Net pension liability	2,381,219	-
Portion due after one year:		
Notes payable	-	204,816
Bonds payable	85,256,986	-
Certificates of participation payable	187,429,047	-
Obligations under capital leases	-	31,574,387
Liability for compensated absences	12,145,315	9,323
Other postemployment benefits obligation	12,831,048	-
Net pension liability	123,412,656	-
Total liabilities	\$ 466,263,863	\$ 34,663,550
DEFERRED INFLOWS OF RESOURCES		
Pensions	\$ 16,314,954	\$ -
Deferred inflows of resources	\$ 16,314,954	\$ -
NET POSITION		
Net investment in capital assets (deficit)	\$ 391,505,272	\$ (2,606,265)
Restricted for:		
Categorical carryover programs	711,654	-
Food service	6,533,691	-
Debt service	15,106,738	-
Capital projects	20,676,262	-
Other purposes	1,821,613	146,238
Unrestricted (deficit)	(120,178,314)	2,042,493
Total net position	\$ 316,176,916	\$ (417,534)

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
Instruction	\$ 198,666,256	\$ -	\$ -	\$ -
Pupil personnel services	14,619,244	-	-	-
Instructional media services	3,940,398	-	-	-
Instruction and curriculum develop. services	6,243,819	-	-	-
Instructional staff training services	8,324,532	-	-	-
Instruction related technology	232,392	-	-	-
Board	617,741	-	-	-
General administration	3,879,313	-	-	-
School administration	22,810,881	-	-	-
Facilities acquisition and construction	9,999,578	-	-	1,431,433
Fiscal services	1,945,356	-	-	-
Food services	20,265,514	3,846,345	18,671,344	-
Central services	4,269,337	-	-	-
Pupil transportation services	22,971,512	-	-	-
Operation of plant	28,984,093	-	-	-
Maintenance of plant	6,850,721	-	-	-
Administrative technology services	3,640,841	-	-	-
Community services	840,976	-	-	-
Interest on long-term debt	11,156,911	-	-	650,596
Unallocated depreciation/amortization	45,966,871	-	-	-
TOTAL PRIMARY GOVERNMENT	\$ 416,226,286	\$ 3,846,345	\$ 18,671,344	\$ 2,082,029
COMPONENT UNITS:				
Charter schools/Foundation	\$ 23,752,430	\$ 552,142	\$ 1,129,088	\$ 416,022
GENERAL REVENUES:				
Property taxes, levied for operational purpose				
Property taxes, levied for capital purpose				
Local sales taxes				
Grants and contributions not restricted to specific programs				
Miscellaneous				
Total general revenues and transfers				
Change in net position				
NET POSITION - BEGINNING				
NET POSTION ENDING				

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

**Net (Expense) Revenue and
Changes in Net Position**

**Primary
Government**

Governmental Activities	Component Units
----------------------------	--------------------

\$ 198,666,256	\$ -
14,619,244	-
3,940,398	-
6,243,819	-
8,324,532	-
232,392	-
617,741	-
3,879,313	-
22,810,881	-
8,568,145	-
1,945,356	-
(2,252,175)	-
4,269,337	-
22,971,512	-
28,984,093	-
6,850,721	-
3,640,841	-
840,976	-
10,506,315	-
45,966,871	-
\$ 391,626,568	

\$ 21,655,178

101,017,672	-
26,201,497	-
15,948,807	-
211,601,707	21,006,651
24,006,061	565,327
378,775,744	21,571,978
(12,850,824)	(83,200)
329,027,740	(334,334)
\$ 316,176,916	\$ (417,534)

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENT FUNDS

JUNE 30, 2016

	General Fund	Other Federal Programs Special Revenue Fund	Other Debt Service Fund	Section 1011.14/1011.1 5 Notes Capital Projects Fund
ASSETS				
Cash and cash equivalents	\$ 27,501,894	\$ -	890,403	\$ 339,645
Investments	-	-	-	-
Accounts receivables, net	894,831	-	-	-
Due from other funds	2,849,463	-	-	-
Due from other agencies	1,417,871	3,204,639	-	-
Inventory	747,559	-	-	-
Prepaid items	-	16,537	-	-
Restricted cash and cash equivalents	-	-	10,412,436	-
Restricted investments	-	-	1,103,907	-
Total assets	\$ 33,411,618	\$ 3,221,176	\$ 12,406,746	\$ 339,645
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Salaries, benefits, and payroll taxes payable	\$ 5,798,468	\$ 933,921	\$ -	\$ -
Payroll deductions and withholdings	3,279,661	274,726	-	-
Accounts payable	1,708,870	353,738	-	-
Construction contracts retainage payable	-	-	-	-
Due to other funds	-	1,616,627	10,694	-
Notes payable	-	-	-	2,499,962
Unearned revenue	79,074	42,164	-	-
Total liabilities	10,866,073	3,221,176	10,694	2,499,962
Deferred Inflow:				
Unavailable revenue	-	-	-	-
Fund balances:				
Nonspendable	747,559	-	-	-
Restricted	2,533,267	-	12,396,052	-
Assigned	3,559,441	-	-	-
Unassigned	15,705,278	-	-	(2,160,317)
Total Fund Balances	22,545,545	-	12,396,052	(2,160,317)
Total Liabilities, Deferred Inflows of Resources, and Fund balances	\$ 33,411,618	\$ 3,221,176	\$ 12,406,746	\$ 339,645

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

Nonvoted Capital Improvements Capital Projects Fund	Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ 11,902,446	\$ 5,806,519	8,623,925	\$ 55,064,832
-	-	19,230	19,230
-	-	175,796	1,070,627
7,192	3,501	-	2,860,156
266,058	2,699,244	697,368	8,285,180
-	-	601,268	1,348,827
-	-	-	16,537
-	-	6,837,154	17,249,590
-	-	-	1,103,907
<u>\$ 12,175,696</u>	<u>\$ 8,509,264</u>	<u>\$ 16,954,741</u>	<u>\$ 87,018,886</u>

\$ -	\$ -	\$ 318,124	7,050,513
-	-	103,677	3,658,064
961,505	130,709	303,637	3,458,459
45,025	-	14,702	59,727
2,867	1,229,968	-	2,860,156
-	-	-	2,499,962
-	2,212,644	-	2,333,882
<u>1,009,397</u>	<u>3,573,321</u>	<u>740,140</u>	<u>21,920,763</u>

-	-	9,533	9,533
---	---	-------	-------

-	-	-	747,559
11,166,299	4,935,943	14,856,886	45,888,447
-	-	1,348,419	4,907,860
-	-	(237)	13,544,724
<u>11,166,299</u>	<u>4,935,943</u>	<u>16,205,068</u>	<u>65,088,590</u>

<u>\$ 12,175,696</u>	<u>\$ 8,509,264</u>	<u>\$ 16,954,741</u>	<u>\$ 87,018,886</u>
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DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

Total Fund Balances - Governmental Funds \$ 65,088,590

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 in the governmental funds. 671,337,365

Revenues not available to liquidate liabilities in the governmental funds are recorded in the government-wide statements when earned. 1,173,632

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. 10,774,698

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. (4,547,226)

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	\$ (196,109,461)	
Bonds Payable	(92,337,013)	
Other Postemployment Benefits Payable	(13,817,747)	
Compensated Absences Payable	(14,532,052)	
Net Pension Liability	(125,793,875)	(442,590,148)

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	\$ 31,258,621	
Deferred Inflows of Resources Related to Pensions	(16,314,954)	14,943,667

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. (3,662)

Net Position - Governmental Activities \$ 316,176,916

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENT FUNDS

FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Other Federal Program Special Revenue Fund	Other Debt Service Fund	Section 1011.14/1011.15 Notes Capital Projects Fund
REVENUES				
Federal direct	\$ 328,372	\$ 13,305	\$ -	\$ -
Federal through state	1,670,912	27,471,602	-	-
State sources	171,454,889	64,279	-	-
Local sources	127,818,894	-	102,037	491
Total revenues	<u>301,273,067</u>	<u>27,549,186</u>	<u>102,037</u>	<u>491</u>
EXPENDITURES				
Current:				
Instruction	187,637,499	12,475,147	-	-
Pupil personnel services	14,042,796	721,940	-	-
Instructional media services	3,984,637	-	-	-
Instruction and curriculum develop. services	2,265,101	4,037,378	-	-
Instructional staff training services	728,882	7,599,141	-	-
Instructional related technologies	234,170	830	-	-
Board	640,160	-	-	-
General administration	2,994,975	953,125	-	-
School administration	22,626,055	436,865	-	-
Facilities acquisition and construction	1,340,041	-	-	-
Fiscal services	1,869,429	98,591	-	-
Food services	-	-	-	-
Central services	4,217,205	43,178	-	-
Pupil transportation services	20,983,196	726,591	-	-
Operation of plant	29,129,829	1,028	-	-
Maintenance of plant	6,894,935	-	-	-
Administrative technology services	3,698,254	-	-	-
Community services	465,090	368,422	-	-
Capital outlay:				
Facilities acquisition and construction	-	-	-	-
Other capital outlay	588,917	86,950	-	-
Debt service:				
Principal	-	-	10,310,000	-
Interest	152,774	-	10,427,119	-
Dues and fees	-	-	136,056	-
Total expenditures	<u>304,493,945</u>	<u>27,549,186</u>	<u>20,873,175</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,220,878)</u>	<u>-</u>	<u>(20,771,138)</u>	<u>491</u>
OTHER FINANCING SOURCES (USES)				
Loans issued	86,080	-	-	-
Proceeds from the sale of capital assets	59,907	-	-	-
Loss recoveries	184,788	-	-	-
Transfers in	5,300,981	-	19,631,613	2,571,382
Transfers out	(3,142,183)	-	-	-
Total other financing sources (uses)	<u>2,489,573</u>	<u>-</u>	<u>19,631,613</u>	<u>2,571,382</u>
Net change in fund balances	(731,305)	-	(1,139,525)	2,571,873
FUND BALANCE - BEGINNING	<u>23,276,850</u>	<u>-</u>	<u>13,535,577</u>	<u>(4,732,190)</u>
FUND BALANCE - ENDING	<u>\$ 22,545,545</u>	<u>\$ -</u>	<u>\$ 12,396,052</u>	<u>\$ (2,160,317)</u>

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

Nonvoted Capital			
Improvements Capital Projects Fund	Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 976,258	\$ 1,317,935
-	-	18,425,473	47,567,987
-	352,597	3,054,299	174,926,064
<u>26,305,870</u>	<u>21,323,976</u>	<u>4,071,466</u>	<u>179,622,734</u>
<u>26,305,870</u>	<u>21,676,573</u>	<u>26,527,496</u>	<u>403,434,720</u>
-	-	-	200,112,646
-	-	-	14,764,736
-	-	-	3,984,637
-	-	-	6,302,479
-	-	31,349	8,359,372
-	-	-	235,000
-	-	-	640,160
-	-	1,198	3,949,298
-	-	-	23,062,920
7,632,830	1,290,898	426,967	10,690,736
-	-	-	1,968,020
-	-	20,359,909	20,359,909
-	-	-	4,260,383
-	-	-	21,709,787
-	-	-	29,130,857
-	-	-	6,894,935
-	-	-	3,698,254
-	-	-	833,512
1,271,427	1,408,200	166,439	2,846,066
537,193	1,278,034	782,595	3,273,689
-	-	698,000	11,008,000
-	-	1,397,337	11,977,230
-	-	15,457	151,513
<u>9,441,450</u>	<u>3,977,132</u>	<u>23,879,251</u>	<u>390,214,139</u>
<u>16,864,420</u>	<u>17,699,441</u>	<u>2,648,245</u>	<u>13,220,581</u>
-	-	-	86,080
-	-	8,856	68,763
4,483	-	-	189,271
-	1,703,616	1,434,593	30,642,185
<u>(11,210,258)</u>	<u>(16,136,569)</u>	<u>(470,602)</u>	<u>(30,959,612)</u>
<u>(11,205,775)</u>	<u>(14,432,953)</u>	<u>972,847</u>	<u>26,687</u>
5,658,645	3,266,488	3,621,092	13,247,268
<u>5,507,654</u>	<u>1,669,455</u>	<u>12,583,976</u>	<u>51,841,322</u>
<u>\$ 11,166,299</u>	<u>\$ 4,935,943</u>	<u>\$ 16,205,068</u>	<u>\$ 65,088,590</u>

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

Net changes in fund balances - total governmental funds \$ 13,247,268

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

Governmental funds report capital outlays as expenditures. However, in 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 period.

Capital outlay - capitalized	\$ 6,822,182	
Less: Depreciation expense	<u>(47,388,311)</u>	(40,566,129)

The statement of activities reflects only the gain/loss on the sale of assets, whereas the governmental funds include all proceeds from these sales. Thus, the change in net position differs from the change in fund balances by the carrying value of assets sold.

(57,794)

Revenue recognized not available to liquidate liabilities in the governmental funds and are reported as unearned revenue until amounts are available, but are accrued in the government-wide statements when earned.

(3,822)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of the repayment of debt principal in the current period.

11,008,000

Premiums, discounts and deferred losses on debt refundings are reported in the governmental funds in the year debt is issued, but are deferred and amortized over the life of the debt in the government wide statements. This is the net amount attributable to the amortization of premiums and discounts and deferred refunding in the current fiscal year.

Premium/discount amortization	\$ 1,764,441	
Deferred charges, June 30, 2016	10,774,698	
Deferred charges, June 30, 2015	<u>(11,865,903)</u>	673,236

Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as an expense when interest accrues in the statement of activities. This is the amount of accrued interest at year-end, less that amount accrued in the prior year.

Accrued interest, June 30, 2016	\$ (4,547,226)	
Accrued interest, June 30, 2015	<u>4,501,707</u>	(45,519)

In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the government 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.

(528,597)

Other postemployment benefits are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in other postemployment benefits liability for the current year.

(1,423,333)

Expenses reported in the statement of activities that do not utilize current financial resources and are not reported as expenses in the funds.

FRS pension contributions	\$ 10,937,417	
HIS pension contributions	3,338,085	
FRS pension expense	(4,511,527)	
HIS pension expense	<u>(4,914,447)</u>	4,849,528

Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities.

(3,662)

Change in Net Position - Governmental Activities

\$ (12,850,824)

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2016

	Governmental Activities
	Internal Service Funds
ASSETS	
Current assets	
Cash and cash equivalents	\$ 52,687
Total assets	52,687
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	43,577
Salaries, benefits, and payroll taxes payable	12,772
Total current liabilities	56,349
Unrestricted net position	\$ (3,662)

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES	
Charges for services	\$ 476,450
Total operating revenues	<u>476,450</u>
OPERATING EXPENSES	
Salaries	295,163
Employee benefits	98,610
Purchased services	236,122
Materials and supplies	158,083
Capital outlay	11,918
Total operating expenses	<u>799,896</u>
Operating loss	<u>(323,446)</u>
NONOPERATING REVENUES	
Interest Revenue	<u>2,358</u>
Loss before transfers	(321,088)
Transfers In	<u>317,426</u>
Change in net position	(3,662)
TOTAL NET POSITION - BEGINNING	<u>-</u>
TOTAL NET POSITION - ENDING	<u><u>\$ (3,662)</u></u>

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2016

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from interfund services provided	\$ 476,450
Payments to suppliers	(384,006)
Payments to employees	(420,590)
Net cash used in operating activities	(328,146)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	317,426
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	2,358
Net change in cash and cash equivalents	(8,362)
CASH AND CASH EQUIVALENTS	
Beginning of year	61,050
End of year	\$ 52,688
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating loss	\$ (323,446)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Change in assets and liabilities	
Increase in accounts payable	22,117
Decrease in salaries, benefits, and payroll taxes payable	(26,817)
Total adjustments	(4,700)
Net cash used in operating activities	\$ (328,146)

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

JUNE 30, 2016

	<u>Agency Funds</u> <u>Internal Accounts</u>
ASSETS	
Cash and cash equivalents	\$ 2,486,442
Accounts receivable	1,494
Inventory	98,252
Total Assets	<u><u>\$ 2,586,188</u></u>
 LIABILITIES	
Accounts payable	\$ 9,571
Due to District	4,412
Internal Accounts Payable	2,572,205
Total Liabilites	<u><u>\$ 2,586,188</u></u>

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 1 — Summary of Significant Accounting Policies

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 non-fiduciary 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 non-exchange 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.

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 6. 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' column 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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 1 — Summary of Significant Accounting Policies (continued)

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.; Somerset College Preparatory Academy, a division of Somerset Academy, Inc.; and the Imagine Charter School at NAU (collectively the Charter Schools), 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 of the financial relationship to the District and oversight responsibility of the District, it was determined they met the misleading to exclude criteria.

The financial data reported on the accompanying statements was derived from the Charter Schools' financial statements for the fiscal year ended June 30, 2016. The financial data for the St. Lucie Education Foundation was derived from Balance Sheet and Income Statement data, they did not provide financial statements for the fiscal year ending June 30, 2016. Audit reports will be filed in the District's administrative offices at 4204 Okeechobee Road, Fort Pierce, Florida, 34947, when submitted by the Charter Schools.

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 inter-fund activity have been eliminated from the government-wide financial statements except for inter-fund services provided and used.

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 non-major 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.

Other Federal Programs Special Revenue Fund – to account for Other Federal Grant program resources as approved by the Federal Government.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 1 — Summary of Significant Accounting Policies (continued)

Other Debt Service 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.

Section 1011.14/1011.15 Notes Capital Projects 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.

Non-voted Capital Improvements Capital Projects Fund – to account for financial resources generated by taxes levied by the district school board against the taxable value of property used to finance projects advertised for expenditures pursuant to this authority.

Other Capital Projects 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 Fund – 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.

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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 1 — Summary of Significant Accounting Policies (continued)

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 non-operating items. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

The Foundation, and the Charter Schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

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

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, and money market funds held by trustees for debt service payments.

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

Investments – Investments are presented at fair value or amortized cost, which approximates fair value.

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

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 1 — Summary of Significant Accounting Policies (continued)

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. United States Department of Agriculture donated foods are stated at their acquisition 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.

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 acquisition value at the date of donation.

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

<u>Description</u>	<u>Estimated Useful Lives</u>
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.

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.

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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 1 — Summary of Significant Accounting Policies (continued)

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.

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 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. 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.

In addition to liabilities, the statement of net position and the governmental funds balance sheet reports 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 second item is unavailable revenue. This item arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet.

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.

Fund Balance Flow Assumption – 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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 1 — Summary of Significant Accounting Policies (continued)

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, 2016.

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.

Revenues and Expenditures/Expenses

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.

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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 1 — Summary of Significant Accounting Policies (continued)

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.

District Property Tax – 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 2015 tax levy on September 8, 2015. 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% 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. Because any delinquent taxes after June 30 would not be material, delinquent taxes receivable are not accrued and no delinquent tax revenue deferral is recorded.

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

Capital Outlay Surtax – In October 2005, the voters of St. Lucie County approved a one-half cent school capital outlay surtax on sales in the County for 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.

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 inter-local 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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 1 — Summary of Significant Accounting Policies (continued)

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.

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.

Proprietary Fund Operating and Non-operating Revenues and Expenses – Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating revenues and expenses.

Note 2 — Budgetary Compliance and Accountability

Budgetary Information

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

Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.

Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instruction, student personnel services, and school administration) and may be amended by resolution at any School Board meeting prior to the due date for the annual financial report.

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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 3 — Investments

As of June 30, 2016, the District had the following investments:

<u>Investments reported at amortized cost</u>		<u>Investments</u>	<u>Cash and Cash Equivalents</u>
SBA:			
Florida PRIME (1)	39 Day Average	\$ -	\$ 12,084,577
Debt Service Accounts	6 Months	19,230	-
Fidelity Institutional Prime Money Market Portfolio (2)	1 Day Average	-	6,697,755
First American Government Obligations Fund Class Z (3)	35 Day Average	-	3,714,681
Bank of America Master Repurchase Contract (4)	April 2020	1,103,907	-
Total investments, primary government		<u>\$ 1,123,137</u>	
Investments reported as unrestricted cash and cash equivalents			<u>22,497,013</u>
Cash deposits (5)			<u>49,817,409</u>
Total cash and cash equivalents			<u>\$ 72,314,422</u>

- Notes:**
- (1) Florida PRIME is a 2a7-like external investment pool presented at amortized cost. There are no restrictions or limitations on withdrawals; however, Florida PRIME may, on the occurrence of an event that has a material impact on liquidity or operations, impose restrictions on withdrawals for up to 48 hours.
 - (2) Comprised of funds held in trust in connection with Certificates of Participation, Series 2011A and 2011B
 - (3) Comprised of funds held in trust in connection with Certificates of Participation, Series 2004, Series 2013A, and Series 2015A
 - (4) Comprised of funds held in trust in connection with Certificates of Participation, Series 2004-QZAB
 - (5) Includes \$6,837,154 of funds held in trust in connection with Certificates of Participation, Series 2010B-QSCB and 2010C-QSIB

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 non-operating funds shall have a term appropriate to the need for funds and in accordance with debt covenants, but shall not exceed 5 years.

The District's various money market investments had a weighted average days to maturity (WAM) ranging from daily liquidity to 35 days at June 30, 2016. Florida Prime had a WAM of 39 days. 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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 3 — Investments (continued)

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 Inter-local 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, 2016, the District's investments in Florida PRIME and First American Treasury Obligations Fund Class Z are rated AAAM by Standard & Poor's. The US Bank Money Market Deposit Account is 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.

Fidelity Institutional Prime Money Market Portfolio and First American Government Obligations Fund Class Z investments represent 28.36% and 15.73%, respectively, of the District's total investments.

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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 4 — 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	1,355,528	540,306	-	1,895,834
Construction in progress	3,704,090	278,913	3,607,582	375,421
Total capital assets not being depreciated	45,096,498	819,219	3,607,582	42,308,135
Capital assets being depreciated				
Improvements other than buildings	14,469,408	563,266	47,399	14,985,275
Buildings and fixed equipment	987,666,625	6,338,691	-	994,005,316
Furniture, fixtures, and equipment	53,254,331	2,587,963	1,603,721	54,238,573
Motor vehicles	33,122,010	22,912	119,096	33,025,826
Audio visual materials and computer software	19,965,876	97,713	-	20,063,589
Total capital assets being depreciated	1,108,478,250	9,610,545	1,770,216	1,116,318,579
Less accumulated depreciation for:				
Improvements other than buildings	8,856,949	850,483	33,179	9,674,253
Buildings and fixed equipment	342,648,431	41,611,630	-	384,260,061
Furniture, fixtures, and equipment	47,643,037	2,048,158	1,560,147	48,131,048
Motor vehicles	26,801,088	1,790,278	119,096	28,472,270
Audio visual material and computer software	15,663,955	1,087,762	-	16,751,717
Total accumulated depreciation	441,613,460	47,388,311	1,712,422	487,289,349
Total capital assets being depreciated, net	666,864,790	(37,777,766)	57,794	629,029,230
Governmental activities capital assets, net	\$ 711,961,288	\$ (36,958,547)	\$ 3,665,376	\$ 671,337,365

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Student transportation services	\$ 1,421,440
Unallocated	45,966,871
Total depreciation expense - governmental activities	\$ 47,388,311

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 5 — 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	\$ -	\$ 16,000,000	\$ 16,000,000	\$ -
Revenue anticipation note	<u>4,999,938</u>	<u>-</u>	<u>2,499,976</u>	<u>2,499,962</u>
Total governmental activities	<u>\$ 4,999,938</u>	<u>\$ 16,000,000</u>	<u>\$ 18,499,976</u>	<u>\$ 2,499,962</u>

Tax Anticipation Note – The Tax Anticipation Note, Series 2015, with an interest rate of 1.25% and net interest costs of 0.14%, was issued on September 22, 2015, for \$16,000,000, and matured on March 1, 2016. The proceeds were utilized for payment of operating expenses incurred for the District's schools for the 2015-16 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 1.39%, matured on May 15, 2016, and was extended for 1 year, to mature on May 15, 2017.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 6 — Certificates of Participation and Bonds Payable

Certificates of participation at June 30, 2016, are as follows:

Series	Amount Outstanding	Interest Rates (Percentage)	Lease Term Maturity	Original Amount
2004-QZAB	\$ 1,277,000	(1)	2020	\$ 1,277,000
2007	17,925,000	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	35,220,000	4.00	2021	54,850,000
2011B, Refunding	12,725,000	3.60 - 5.00	2023	12,725,000
2013A, Refunding	76,670,000	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	<u>\$ 190,129,000</u>			

- 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 Series 2010B Certificates is 5.87% with an allowed Federal subsidy of 5.40 percent. The interest rate for Series 2010C Certificates is 5.24% with allowed Federal subsidy of 4.85%. For 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.

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 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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 6 — Certificates of Participation and Bonds Payable (continued)

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). 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.

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.

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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 6 — Certificates of Participation and Bonds Payable (continued)

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, C, and 2003A. 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.

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, C, and 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.

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 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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 6 — Certificates of Participation and Bonds Payable (continued)

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:

<u>Certificates</u>	<u>Description of Properties</u>
Series 2004-QZAB	Technology-related equipment at 19 schools
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 Farlawn 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

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 6 — Certificates of Participation and Bonds Payable (continued)

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

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
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	15,938,660	9,445,000	6,493,660
2022-2026	80,065,914	54,430,000	25,635,914
2027-2031	96,645,025	87,887,000	8,758,025
2031-2033	2,974,488	2,845,000	129,488
Total minimum lease payments	260,755,200	190,129,000	70,626,200
Plus: net unamortized premium	5,980,461	5,980,461	-
Total minimum lease payments	<u>\$ 266,735,661</u>	<u>\$ 196,109,461</u>	<u>\$ 70,626,200</u>

Bonds Payable

Bonds payable at June 30, 2016, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 2009A, Refunding	\$ 160,000	5.0	2019
Series 2011A, Refunding	350,000	3.0 - 5.0	2023
Series 2014B, Refunding	303,000	2.0 - 5.0	2020
District Revenue Bonds:			
Sales Tax Revenue Bonds, Series 2001	2,285,000	4.8 - 5.0	2031
Sales Tax Revenue Bonds, Series 2015, Refunding	77,470,000	2.0 - 5.0	2027
Total Bonds Payable	<u>\$ 80,568,000</u>		

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 6 — Certificates of Participation and Bonds Payable (continued)

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 – 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)7a., Florida Statutes, as a replacement for moneys distributed under Section 550.135, Florida Statutes, prior to July 1, 2000.

Series 2015, Refunding – 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, Refunding issue described above. During the 2014-2015 fiscal year, the District recognized sales tax revenues totaling \$15,781,604 and expended \$9,981,685 (63%) 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% of this revenue stream has been pledged in connection with debt service on the revenue bonds.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 6 — Certificates of Participation and Bonds Payable (continued)

Annual requirements to amortize all bonded debt outstanding as of June 30, 2016, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
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	61,500	55,000	6,500
2022-2023	130,700	125,000	5,700
Total State School Bonds	<u>909,140</u>	<u>813,000</u>	<u>96,140</u>
Sales Tax Revenue Bonds:			
2017	9,427,750	5,605,000	3,822,750
2018	9,394,500	5,830,000	3,564,500
2019	9,385,875	6,120,000	3,265,875
2020	9,387,250	6,435,000	2,952,250
2021	9,377,625	6,755,000	2,622,625
2022-2026	46,744,625	39,180,000	7,564,625
2027-2031	10,199,625	9,830,000	369,625
Total District Revenue Bonds	<u>103,917,250</u>	<u>79,755,000</u>	<u>24,162,250</u>
Total Bonds Payable	<u>104,826,390</u>	<u>80,568,000</u>	<u>24,258,390</u>
Plus: Net Unamortized Premium	<u>11,769,013</u>	<u>11,769,013</u>	<u>-</u>
Total Bonds Payable, Net	<u>\$ 116,595,403</u>	<u>\$ 92,337,013</u>	<u>\$ 24,258,390</u>

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 7 — Changes in Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
GOVERNMENTAL ACTIVITIES					
Certificates of participation payable	\$ 198,029,000	\$ -	\$ 7,900,000	\$ 190,129,000	\$ 8,080,000
Unamortized premiums/discounts	6,580,875	-	600,414	5,980,461	600,414
Certificates of participation payable, net	204,609,875	-	8,500,414	196,109,461	8,680,414
Bonds payable	83,676,000	-	3,108,000	80,568,000	5,916,000
Unamortized premium	12,933,040	-	1,164,027	11,769,013	1,164,027
Bonds payable, net	96,609,040	-	4,272,027	92,337,013	7,080,027
Other postemployment benefits payable	13,289,150	1,515,296	986,699	13,817,747	986,699
Compensated absences payable	13,108,719	3,810,070	2,386,737	14,532,052	2,386,737
Net pension liability	88,315,715	76,453,276	38,975,116	125,793,875	2,381,219
Total Governmental Activities	<u>\$ 415,932,499</u>	<u>\$ 81,778,642</u>	<u>\$ 55,120,993</u>	<u>\$ 442,590,148</u>	<u>\$ 21,515,096</u>

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

Note 8 — Inter-fund Receivables, Payables, and Transfers

Inter-fund Receivables/Payables

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Major:		
General Fund	\$ 2,849,463	\$ -
Other Federal Programs Special Revenue Fund	-	1,616,627
Other Debt Service Fund	-	10,694
Non-voted Capital Improvements Capital Project Fund	7,192	2,867
Other Capital Projects Fund	3,501	1,229,968
Total	<u>\$ 2,860,156</u>	<u>\$ 2,860,156</u>

Inter-fund receivables and payable are generally temporary loans between funds to cover operating expenses. These amounts are expected to be repaid within one year.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 8 — Inter-fund Receivables, Payables, and Transfers (continued)

Inter-fund Transfers

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

Funds	Interfund	
	Transfer In	Transfer Out
Major:		
General Fund:	\$ 5,300,981	\$ 3,142,183
Other Debt Service Fund	19,631,613	-
Sections 1001.14/1001.15 Notes Capital Projects Fund	2,571,382	-
Nonvoted Capital Improvement Capital Projects Fund	-	11,210,258
Other Capital Projects Fund	1,703,616	16,136,569
Nonmajor Governmental Funds	1,434,593	470,602
Internal Service Fund	317,427	-
Total	\$ 30,959,612	\$ 30,959,612

Inter-fund 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.

Note 9 — Fund Balance Reporting

The following is a schedule of fund balances by category at June 30, 2016:

	Major Funds						Total Governmental Funds
	General Fund	Other Debt Service Fund	Sections 1011.14/ 1011.15, Notes Capital Projects Fund	Nonvoted Capital Improvement Capital Projects Fund	Other Capital Projects Fund	Non-Major Funds	
Fund Balances							
Nonspendable:							
Inventories	\$ 747,559	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 747,559
Restricted:							
State required carryover	711,654	-	-	-	-	-	711,654
FAU lab charter school	966,457	-	-	-	-	-	966,457
Local grants	855,156	-	-	-	-	-	855,156
Food service	-	-	-	-	-	5,185,272	5,185,272
Debt service	-	12,396,052	-	-	-	7,257,912	19,653,964
Capital projects	-	-	-	11,166,299	4,935,943	2,413,702	18,515,944
Assigned:							
Voluntary prekindergarten	1,685,220	-	-	-	-	-	1,685,220
Outstanding PO's	1,874,221	-	-	-	-	-	1,874,221
Outstanding PO's - food service	-	-	-	-	-	1,348,419	1,348,419
Unassigned	15,705,278	-	(2,160,317)	-	-	(237)	13,544,724
Total Fund Balances	\$22,545,545	\$12,396,052	\$ (2,160,317)	\$ 11,166,299	\$ 4,935,943	\$16,205,068	\$ 65,088,590

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 9 — Fund Balance Reporting (continued)

Fund balances may be classified as follows:

Non-spendable Fund Balance – Non-spendable 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.

Assigned Fund Balance – Assigned fund balance is the portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body of official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as non-spendable, restricted, or committed. The District also classifies amounts as assigned that are constrained to be used for specific purposes based on actions of the Superintendent or his designee as necessary, and not included in other categories.

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 Section 1011.14/1011.15 Notes Capital Projects Fund contains a deficit fund balance \$2,160,317 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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 10 — Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2015-2016 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 127,308,734
Categorical Educational Program - Class Size Reduction	41,788,307
Florida School Recognition Funds	1,221,987
Voluntary Prekindergarten Program	877,862
CO&DS Distribution	836,068
CO&DS Withheld for SBE/COBJ Bonds	650,473
Gross Receipts Tax (Public Education Capital Outlay)	591,090
Charter School Capital Outlay	470,602
Miscellaneous	438,961
Food Service Supplement	278,418
Sales Tax Distribution	223,250
State Licence Tax	214,411
CO&DS Withheld for Administrative Expenditures	21,502
Interest on Undistributed CO&DS	4,275
SBE/COBI Bond Interest	124
Total	\$ 174,926,064

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

Note 11 — Property Taxes

The following is a summary of millage rates and taxes levied on the 2015 tax roll for the 2015-16 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	5.035	\$ 91,516,846
Basic Discretionary Local Effort	0.748	13,595,750
<u>Capital Projects - Local Capital Improvement Fund</u>		
Nonvoted Tax:		
Local Capital Improvements	1.500	27,264,205
Total	<u>7.283</u>	<u>\$ 132,376,801</u>

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 12 — Florida Retirement System

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.mvflorida.com).

The District's FRS and HIS pension expense totaled \$9,425,974 for the fiscal year ended June 30, 2016.

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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 12 — Florida Retirement System (continued)

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:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>Percent Value</u>
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 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 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% 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% determined by dividing the sum of the pre- July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 12 — Florida Retirement System (continued)

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contributions rates during the 2015-16 fiscal year were as follows:

<u>Class</u>	<u>Percentage of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, regular	3.00	7.26
FRS, elected county officers	3.00	42.27
FRS, senior management service	3.00	21.43
FRS, special risk regular	3.00	22.04
DROP - applicable to members from all of the above classes	0.00	12.88
FRS, reemployed retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs on the Investment Plan.

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

The District's contributions to the Pension Plan totaled \$11,498,415 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, The District reported a liability of \$60,915,620 for its proportionate share of the Plans' net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.471616682 percent, which was a decrease of 0.002473192 from its proportionate share measured as of June 30, 2014.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 12 — Florida Retirement System (continued)

For the fiscal year ended June 30, 2016, the District recognized the Plan pension expense of \$4,511,527. 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	\$ 6,430,886	\$ 1,444,733
Change of assumptions	4,043,174	-
Net difference between projected and actual earnings on FRS pension plan investments	-	14,545,631
Changes in proportion and differences between District FRS contributions and proportionate share of FRS contributions	935,909	324,590
District FRS contributions subsequent to the measurement date	10,937,417	-
Total	\$ 22,347,386	\$ 16,314,954

The deferred outflows of resources related to pensions, totaling \$10,937,417, 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, 2017. 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
2017	\$ (4,662,484)
2018	(4,662,484)
2019	(4,662,484)
2020	7,338,115
2021	1,398,713
Thereafter	345,639
Total	\$ (4,904,985)

Actuarial Assumptions - The total pension liability in the July 1, 2015, 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

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 12 — Florida Retirement System (continued)

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

The actuarial assumptions used in the July 1, 2015, 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 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%	3.20%	3.10%	1.70%
Fixed income	18%	4.80%	4.70%	4.70%
Global equity	53%	8.50%	7.20%	17.70%
Real estate (property)	10%	6.80%	6.20%	12.00%
Private equity	6%	11.90%	8.20%	30.00%
Strategic investments	12%	6.70%	6.10%	11.40%
Total	100%			
Assumed inflation - Mean		2.60%		1.90%

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%. 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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 12 — Florida Retirement System (continued)

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%, 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%) or 1 percentage point higher (8.65%) 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	\$ 157,846,148	\$ 60,915,620	\$ (19,746,501)

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.

Payable to the Pension Plan – At June 30, 2016, the District reported a payable of \$1,376,892 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2016.

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, 2016, 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, 2016, the contribution rate was 1.66% of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100% 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, 2016.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 12 — Florida Retirement System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions – At June 30, 2016, the District reported a net pension liability of \$64,878,255 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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 0.636159430 percent, which was a decrease of 0.000996740 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized the HIS Plan pension expense of \$4,914,447. In addition, the District reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ -
Change of assumptions	5,104,225
Net difference between projected and actual earnings on HIS pension plan investments	35,120
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	433,805
District HIS contributions subsequent to the measurement date	<u>3,338,085</u>
Total	<u>\$ 8,911,235</u>

The deferred outflows of resources, totaling \$3,338,085, 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, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 969,914
2018	969,914
2019	969,914
2020	962,776
2021	959,349
Thereafter	<u>741,283</u>
Total	<u>\$ 5,573,150</u>

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 12 — Florida Retirement System (continued)

Actuarial Assumptions – The total pension liability in the July 1, 2015, 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	3.80 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 3.80%. 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 3.80%, 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 (2.80%) or 1 percentage point higher (4.80%) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
District's proportionate share of the net pension liability	\$ 73,925,751	\$ 64,878,255	\$ 57,334,001

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, 2016, the District reported a payable of \$494,399 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2016.

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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 12 — Florida Retirement System (continued)

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 0.06% of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2015-16 fiscal year were as follows:

<u>Class</u>	<u>Percentage of Gross Compensation</u>
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. Non-vested 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, 2016, 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 \$2,472,559 for the fiscal year ended June 30, 2016.

Payables to the Pension Plan at June 30, 2016 – The District reported a payable of \$279,046 for the outstanding amount of contributions to the Investment Plan required for the fiscal year ended June 30, 2016.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 13 — Other Postemployment Benefits Obligations

Other Post 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 2015-16 fiscal year, 156 retirees received postemployment healthcare benefits and 296 received postemployment life insurance benefits. The District provided contributions of \$986,699 toward the annual OPEB cost, net of retiree contributions totaling \$1,561,519, which represents 0.975% 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:

<u>Description</u>	<u>Amount</u>
Normal cost (service cost for 1 year)	\$ 845,048
Amortization of unfunded actuarial accrued liability	<u>716,471</u>
Annual required contribution	1,561,519
Interest on net OPEB obligation	531,566
Adjustment to annual required contribution	<u>(577,789)</u>
Annual OPEB cost (expense)	1,515,296
Contribution toward the OPEB cost	<u>(986,699)</u>
Increase in net OPEB obligation	528,597
Net OPEB obligation, beginning of year	<u>13,289,150</u>
Net OPEB obligation, end of year	<u>\$ 13,817,747</u>

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 13 — Other Postemployment Benefits Obligations (continued)

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, 2016, and the 2 preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Annual OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013-14	1,682,933	826,893	49.13%	12,796,950
2014-15	1,456,949	964,749	66.22%	13,289,150
2015-16	1,515,296	986,699	65.12%	13,817,747

Funding 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%. 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%

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, 2016 and to estimate the District's 2015-16 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4% 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% per year, and an annual healthcare cost trend rate of 7%, initially beginning January 1, 2016. Under this model, assumed trend rates decline from 7% assumed for the year beginning January 1, 2016, to the ultimate level of 4.24% beginning January 1, 2040. The investment rate of return and payroll growth rate include a general price inflation of 2.5%. 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, 2016, was 22 years.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 14 — Construction and Other Significant Commitments

Encumbrances

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

The following is a schedule of encumbrances at June 30, 2016:

Major Funds						Total Governmental Funds
General Fund	Other Federal Special Revenue Fund	Nonvoted Capital Improvements Capital Projects Fund	Other Capital Projects Fund	Non Major Funds	Total	
\$ 2,087,617	\$ 356,413	\$ 7,891,105	\$ 895,014	\$ 731,826	\$ 11,961,975	

Construction Contracts

The District had the following major construction contract commitments as of fiscal year-end:

Project	Contract Amount	Completed to Date	Balance Committed
Orange Blossom District Office HVAC	\$ 1,876,020	\$ -	\$ 1,876,020

Note 15 — Joint Activities

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

By inter-local agreement adopted on November 23, 1999, the Board entered into a joint project with the County to build the South County Regional Stadium. The County will operate and maintain the facility. The Board funded a portion of the construction costs by reimbursing the County for its portion of the payment on the County's Improvement Revenue Notes, Series 2000A. The inter-local agreement provides that the Board has priority use over the general public. The stadium is to be used for high school football and soccer events.

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

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 16 — Risk Management Programs

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the South Central Educational Risk Management Program (SCERMP), a consortium under which 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% 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.

The District did have a settled claim resulting from these risks that exceeded our sovereign immunity cap and our purchased coverage during the 2015/2016 fiscal year. Specific information on the claim can be found in Note 18 under Litigation.

Note 17 — 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.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Note 17 — Litigation (continued)

The following lawsuits are pending and material in nature:

The St. Lucie County School District vs. Renaissance Charter School, Inc. and Renaissance Charter School at Tradition, Fourth District Court of Appeal, State of Florida, Case No. 4D15-2905. The financial impact could be in excess of \$300,000. Oral arguments are scheduled for April 2017 with a decision expected by late 2017.

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.; 1-10 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 covers amounts up to the immunity cap. All other claims arising from the accident were previously settled, exhausting available insurance proceeds and other amounts payable without legislative authorization. A proposed claims bill for the 2017 legislative session has been filled with the Florida Senate as SB 14 and in the Florida House of Representatives as HB 6529, but the School Board is unable to quantify the likelihood of or the amount that might be authorized by such an act of the Florida Legislature. Any resulting claims would not be payable during the 2016/17 Fiscal Year and therefore would not be payable from the pledged revenues.

Note 18 — Subsequent Events

The District has evaluated events and transactions occurring subsequent to June 30, 2016 as of March 21, 2017, which is the date the annual financial statements were available to be issued. Subsequent events occurring after March 21, 2017 have not been evaluated by management. No material events have occurred since June 30, 2016 that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDING JUNE 30, 2016

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 382,105	\$ 328,372	\$ 328,372	\$ -
Federal Through State and Local	1,373,697	1,670,912	1,670,912	-
State	172,878,049	171,454,889	171,454,889	-
Local:				
Property Taxes	101,308,038	101,017,672	101,017,672	-
Miscellaneous	16,468,611	26,801,222	26,801,222	-
Total Local Revenues	117,776,649	127,818,894	127,818,894	-
Total Revenues	292,410,500	301,273,067	301,273,067	-
Expenditures				
Current - Education:				
Instruction	192,316,831	187,637,499	187,637,499	-
Student Personnel Services	13,824,072	14,042,796	14,042,796	-
Instructional Media Services	4,054,999	3,984,637	3,984,637	-
Instruction and Curriculum Development Services	1,787,732	2,265,101	2,265,101	-
Instructional Staff Training Services	600,423	728,882	728,882	-
Instructional - Related Technologies	210,264	234,170	234,170	-
Board	841,163	640,160	640,160	-
General Administration	3,149,587	2,994,975	2,994,975	-
School Administration	22,202,510	22,626,055	22,626,055	-
Facilities Acquisition and Construction	676,143	1,340,041	1,340,041	-
Fiscal Services	1,869,038	1,869,429	1,869,429	-
Food Services	7,703	-	-	-
Central Services	4,030,190	4,217,205	4,217,205	-
Student Transportation Services	21,239,004	20,983,196	20,983,196	-
Operation of Plant	24,347,795	29,129,829	29,129,829	-
Maintenance of Plant	7,345,053	6,894,935	6,894,935	-
Administrative Technology Services	3,711,987	3,698,254	3,698,254	-
Community Services	307,833	465,090	465,090	-
Fixed Capital Outlay:				
Other Capital Outlay	-	588,917	588,917	-
Debt Service:				
Interest and Fiscal Charges	239,592	152,774	152,774	-
Total Expenditures	302,761,919	304,493,945	304,493,945	-
Deficiency of Revenues Over Expenditures	(10,351,419)	(3,220,878)	(3,220,878)	-
Other Financing Sources (Uses)				
Transfer In	4,830,379	5,300,981	5,300,981	-
Loans	-	86,080	86,080	-
Sale of Capital Assets	173,639	59,907	59,907	-
Loss Recoveries	57,716	184,788	184,788	-
Transfer Out	(1,978,903)	(3,142,183)	(3,142,183)	-
Total Other Financing Sources	3,082,831	2,489,573	2,489,573	-
Net Change in Fund Balances	(7,268,588)	(731,305)	(731,305)	-
Fund Balances, Beginning	23,276,851	23,276,850	23,276,850	-
Fund Balances, Ending	\$ 16,008,263	\$ 22,545,545	\$ 22,545,545	\$ -

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – OTHER FEDERAL PROGRAMS SPECIAL REVENUE FUND
YEAR ENDING JUNE 30, 2016

	Other Federal Programs Special Revenue Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 30,307	\$ 13,305	\$ 13,305	\$ -
Federal Through State and Local	30,433,623	27,471,602	27,471,602	-
State	687,022	64,279	64,279	-
Total Revenues	31,150,952	27,549,186	27,549,186	-
Expenditures				
Current - Education:				
Instruction	13,177,324	12,475,147	12,475,147	-
Student Personnel Services	752,312	721,940	721,940	-
Instruction and Curriculum Development Services	5,100,481	4,037,378	4,037,378	-
Instructional Staff Training Services	9,244,461	7,599,141	7,599,141	-
Instuctional - Related Technologies	926	830	830	-
General Administration	591,032	953,125	953,125	-
School Administration	422,762	436,865	436,865	-
Fiscal Services	81,422	98,591	98,591	-
Central Services	88,084	43,178	43,178	-
Student Transportation Services	1,132,050	726,591	726,591	-
Operation of Plant	5,581	1,028	1,028	-
Community Services	554,517	368,422	368,422	-
Fixed Capital Outlay:				
Other Capital Outlay	-	86,950	86,950	-
Total Expenditures	31,150,952	27,549,186	27,549,186	-
Deficiency of Revenues Over Expenditures	-	-	-	-
Net Change in Fund Balances	-	-	-	-
Fund Balances, Beginning	-	-	-	-
Fund Balances, Ending	\$ -	\$ -	\$ -	\$ -

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
SCHEDULES OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

YEAR ENDING JUNE 30, 2016

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]
01/01/2011	\$ -	\$ 30,265,874	\$ 30,265,874	0.0%	\$ 164,348,668	18.4%
01/01/2013	-	14,952,662	14,952,662	0.0%	152,922,081	9.8%
01/01/2015	-	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

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY AND DISTRICT CONTRIBUTIONS – FLORIDA RETIREMENT SYSTEM PENSION
PLAN
YEAR ENDING JUNE 30, 2016

Schedule of the District's Proportionate Share of the Net Pension Liability (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the FRS net pension liability	0.471616682%	0.474089874%	0.466124380%
District's proportionate share of the FRS net pension liability	\$ 60,915,620	\$ 28,926,454	\$ 80,240,752
District's covered-employee payroll	\$ 161,886,142	\$ 158,429,655	\$ 153,725,992
District's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	37.63%	18.26%	52.20%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%	88.54%

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

Schedule of the District Contributions (2)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 10,937,417	\$ 11,498,415	\$ 10,384,580
FRS contributions in relation to the contractually required contribution	<u>(10,937,417)</u>	<u>(11,498,415)</u>	<u>(10,384,580)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 167,888,452	\$ 161,888,142	\$ 158,429,655
FRS contributions as a percentage of covered-employee payroll	6.51%	7.10%	6.55%

Note: (2) The amounts presented for each fiscal year were determined as of June 30.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY AND DISTRICT CONTRIBUTIONS – HEALTH INSURANCE SUBSIDY PENSION
PLAN
YEAR ENDING JUNE 30, 2016

Schedule of the District's Proportionate Share of the Net Pension Liability (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the HIS net pension liability	0.636159430%	0.635162690%	0.629493939%
District's proportionate share of the HIS net pension liability	\$ 64,878,255	\$ 59,389,261	\$ 54,805,724
District's covered-employee payroll	\$ 193,145,356	\$ 188,719,016	\$ 182,872,212
District's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	33.59%	31.47%	29.97%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%	1.78%

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

Schedule of the District Contributions (2)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 3,338,085	\$ 2,431,797	\$ 2,175,854
HIS contributions in relation to the contractually required contribution	<u>(3,338,085)</u>	<u>(2,431,797)</u>	<u>(2,175,854)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 201,141,768	\$ 193,145,356	\$ 188,719,016
HIS contributions as a percentage of covered-employee payroll	1.66%	1.26%	1.15%

Note: (2) The amounts presented for each fiscal year were determined as of June 30.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDING JUNE 30, 2016

Note 1 — Budgetary Basis of Accounting

The District 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 subsequent year's appropriations.

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

Changes of Assumptions

As of June 30, 2015, the inflation rate assumption was retained at 2.60%, the real payroll growth assumption was retained at 0.65%, and the overall payroll growth rate assumption was retained at 3.25%. The long-term expected rate of return was retained at 7.65%.

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

Changes of Assumptions

The municipal bond rate used to determine the total pension liability decreased from 4.29% to 3.80%.

COMPLIANCE AND SINGLE AUDIT

**Report of Independent Auditor 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 Honorable Members of the School Board
District School Board of St. Lucie County
Ft. Pierce, Florida

We have audited, in accordance with the 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of St. Lucie County, Florida (the "District") as of and for the year ended June 30, 2016, 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 21, 2017. Our report includes reference to other auditors who audited the financial statements of the certain 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 the 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 entity'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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2016-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, 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*.

Purpose of this Report

The purpose of this report 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 communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Orlando, Florida
March 21, 2017

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

The Honorable Members of the School Board
District School Board of St. Lucie County
Ft. Pierce, Florida

Report on Compliance for Each Major Federal Program

We have audited the District School Board of St. Lucie County, Florida's (the "District") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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 year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the District 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 requirements that could have a direct and material effect on a 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 the Uniform Guidance, 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Orlando, Florida
March 21, 2017

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDING JUNE 30, 2016

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass-through Grantor Number</u>	<u>Amount of Expenditures (1)</u>	<u>Amount Provided to Subrecipients</u>
United States Department of Agriculture:				
Indirect:				
<i>Child Nutrition Cluster:</i>				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	14002	\$ 3,808,340	\$ -
National School Lunch Program	10.55 (2)(A)	14001, 14003	13,652,825	-
Summer Food Service Program for Children	10.559	14006, 14007	172,256	-
<i>Total Child Nutrition Cluster</i>			<u>17,633,421</u>	<u>-</u>
Fresh Fruit and Vegetable Program	10.582	13004	156,117	-
National School Lunch Program Equipment Assistance Grants	10.579	14011	232,579	-
<i>Florida Department of Health:</i>				
Child and Adult Care Food Program	10.558	302	215,845	-
Total United States Department of Agriculture			<u>18,237,962</u>	<u>-</u>
United States Department of Education				
Indirect:				
<i>Special Education Cluster:</i>				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	8,815,393	63,617
Special Education - Preschool Grants	84.173	266, 267	303,378	-
<i>Total Special Education Cluster</i>			<u>9,118,771</u>	<u>63,617</u>
<i>Florida Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	14,363,836	-
Migrant Education - State Grant Program	84.011	217	131,901	-
Career and Technical Education - Basic Grants to States	84.048	161	479,209	-
Education for Homeless Children and Youth	84.196	127	59,142	-
Twenty-First Century Community Learning Centers	84.287	244	1,094,711	-
English Language Acquisition Grants	84.365	102	371,316	-
Improving Teacher Quality State Grants	84.367	224	1,822,542	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	RA111, RG311	32,547	-
Total United States Department of Education			<u>27,473,975</u>	<u>63,617</u>
United States Department of Health and Human Services				
<i>Direct:</i>				
Substance Abuse and Mental Health Service Projects of Regional and National Significance	93.243	N/A	13,305	-
United States Department of Defense				
<i>Direct:</i>				
Army Junior Reserve Officers Training Corps	None	N/A	328,372	-
Total Expenditures of Federal Awards			<u>\$ 46,053,614</u>	<u>\$ 63,617</u>

- 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 this 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 \$1,467,818 of donated food used during the fiscal year. Donated foods used are valued at fair value as determined at the time of donation.
- (3) Indirect Costs: The District did not elect to use the 10 percent de minimis indirect cost rate as permitted by 2 CFR 200.414 (f).

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAMS
YEAR ENDING JUNE 30, 2016

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no	
Significant deficiency(ies) identified?	<u> x </u> yes	<u> </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> x </u> no	

Federal Awards Section

Internal control over major programs:			
Material weakness(es) identified?	<u> </u> yes	<u> x </u> no	
Significant deficiency(ies) identified?	<u> </u> yes	<u> x </u> none reported	

Type of auditor's report on compliance for major federal programs:	<u>Unmodified</u>		
An audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	<u> </u> yes	<u> x </u> no	

Identification of major federal programs:

Name of Program or Cluster	CFDA Numbers
Special Education Cluster	84.027 / 84.173
Title I Grants to Local Education Agencies	84.010
Improving Teacher Quality State Grants	84.367

Dollar threshold used to determine Type A programs:	
Federal	<u> \$ 1,381,608</u>

Auditee qualified as low-risk auditee for federal purposes?	<u> </u> yes	<u> x </u> no
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DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAMS
YEAR ENDING JUNE 30, 2016

Part II – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements that are required to best reported in accordance with *Government Auditing Standards*.

Finding 2016-001 is considered to be a significant deficiency required to be reported in accordance with *Government Auditing Standards*.

Finding 2016-001 – Significant Deficiency in Internal Controls over Capital Asset Reconciliations

Criteria: An effective system of internal controls contemplates that management can administer a financial statement close and reporting process, which include reconciliations of account balances to underlying schedules and support, such that misstatements that are material to the financial statements that are in conformity with accounting principles generally accepted in the United States of America will be prevented or detected and corrected on a timely basis.

With respect to capital assets, sufficiently detailed records of assets in service should be maintained to allow individual assets to be depreciated over a reasonable useful life, and those assets to be identified and removed once disposed of or obsolete.

Condition: During our audit, we noted that the District was reporting certain capital asset disposals. However, the amount of accumulated depreciation being removed exceeded the amount of the asset book value. We also noted that certain assets included in construction in progress had been completed and placed in service.

Effect: Accumulated depreciation was understated by \$2,886,577. Construction in progress was overstated and depreciable fixed assets was understated by \$3,433,869. Current year depreciation expense was understated by \$231,000.

Cause: It had been the District's practice to delete a portion of a building's value when purchasing and capitalizing replacement fixed equipment within the building. The replacement equipment would offset the deletion to capital assets. Since the District began depreciating the building as a single asset at the time it was placed in service, it would be inappropriate to remove a portion of the asset value. Additionally, this methodology caused the new assets to be depreciated for the remaining useful life of the original asset, causing a slight understatement of depreciation expense.

Recommendation: The District should develop detailed written procedures for the purpose of handling replacements made in the current year in accordance with accounting standards generally accepted in the United States of America. Further the District should review the inventory of capital assets at least annually, to determine that assets are still in service and not obsolete, and to ensure that assets are placed in service and depreciated in a timely manner.

Part III – Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major programs, as required to be reported by 2 CFR 200.516(a).

There were no findings required to be reported by 2 CFR 200.516(a).

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN

YEAR ENDING JUNE 30, 2016

Prior Year Findings

There were no audit findings in the prior year that required corrective action.

Corrective Action Plan

Finding 2016-01, Significant Deficiency in Internal Controls over Capital Asset Reconciliations

Management's Response: As was identified during the fiscal 2014 audit, the District is required to record major building renovations as capital assets and begin depreciating such assets. Prior to 2014, the District recorded all renovations and retrofits as a non-capitalized remodeling expense. As a result of the requirement to capitalize the major renovations, the District needed to remove the replaced asset and related accumulated depreciation. However, the asset was not individually identifiable in the accounting records, as it was recorded with the building as a whole. This made it difficult for the District to identify how much accumulated depreciation should be removed in response to the major renovation.

The District determined that the best method for removing the replaced asset from the accounting records would be to assume that the portion of the building related to the replaced asset had been fully depreciated. The asset from the renovation would be recorded on the books and immediately removed along with the same amount of accumulated depreciation related to the replaced asset. This method was identified as acceptable in during prior audits, but as a result of the current year audit, this method this method is no longer acceptable. The District has been provided suggestions to modify the methodology it uses to capitalize major renovations and retrofits.

On a prospective basis, the District will revise the process of capitalizing major renovations and retrofits to ensure that all the costs associated with finished projects are transferred from construction in progress to depreciable fixed assets. The District will also revise such procedures to include an acceptable methodology for the treatment of replaced assets that are not individually identifiable in the accounting records

OTHER INFORMATION

Independent Auditor's Management Letter

The Honorable Members of the School Board
District School Board of St. Lucie County
Ft. Pierce, Florida

Report of the Financial Statements

We have audited the financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the District School Board of St. Lucie County, Florida (the "District") as of and for the year ended June 30, 2016, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 21, 2017. We did not audit the financial statements of certain discretely presented components as described in our report on the District's financial statements; those financial statements were audited by other auditors.

Auditor's Responsibility

We conducted our audit 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; the audit requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Guidance Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and Chapter 10.800, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Report of Independent Auditor 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*, Report of Independent Auditor on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance, Report of Independent Accountant on Compliance with Local Government Investment Policies, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 21, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.804(1)(f)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address the findings and recommendations made in the audit report.

Financial Condition

Section 10.804(1)(f)2., *Rules of the Auditor General*, requires a statement be included as to whether or not the District has met one or more of the conditions described in Section 218.503(1), *Florida Statutes*, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Pursuant to Sections 10.804(1)(f)5.a. and 10.805(7), *Rules of the Auditor General*, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Transparency

Section 10.804(1)(f)6., *Rules of the Auditor General*, requires that we report the results of our determination as to whether the District maintains on its website the information specified in Section 1011.035, *Florida Statutes*. In connection with our audit, we determined that the District maintained on its website the information specified in Section 1011.035, *Florida Statutes*.

Other Matters

Section 10.804(1)(f)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.804(1)(f)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

The purpose of this management letter is to communicate certain matters prescribed by Chapter 10.800, *Rules of the Auditor General*. Accordingly, this management letter is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Orlando, Florida
March 21, 2017

**Report of Independent Accountant on Compliance
with Local Government Investment Policies**

The Honorable Members of the School Board
District School Board of St. Lucie County
Ft. Pierce, Florida

Report on Compliance

We have examined the District School Board of St. Lucie County, Florida's (the "District's") compliance with the requirements of Section 218.415, *Florida Statutes*, for the year ended June 30, 2016. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Scope

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

Opinion

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2016.

A handwritten signature in black ink that reads "Cherry Bekaert LLP". The signature is written in a cursive, flowing style.

Orlando, Florida
March 21, 2017