

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

FINANCIAL STATEMENTS

For the Year Ended June 30, 2019

And Reports of Independent Auditor

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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
Port St. Lucie, 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, 2019, 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 statement of the School internal funds, which represents 7 percent of the assets and 32 percent of the liabilities of the aggregate remaining fund information. In addition, we did not audit the financial statements of Renaissance Charter School of St. Lucie, Renaissance Charter School at Tradition, Somerset College Preparatory Academy, Somerset Academy St. Lucie and the St. Lucie County Education Foundation, Inc., which represent 100 percent of the assets, liabilities, and 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 presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the

aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, 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, based on our audit and the procedures performed as described above, 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 13, 2020 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 solely 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 effectiveness of the District's 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 13, 2020

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

The management of the St. Lucie County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2019.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2018-19 fiscal year are as follows:

- Net position of the District increased \$7,591,658, in comparison to a decrease of \$15,804,997 in the 2017-18 fiscal year.
- General revenues total \$426,265,305 or 94.18 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$26,352,125, or 5.82 percent of all revenues.
- Expenses total \$445,025,772. Only \$26,352,125 of these expenses was offset by program specific charges, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$7,591,658.
- The assigned fund balance for the general fund was \$4,040,270, and the unassigned fund balance for the general fund was \$16,028,453. 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 School Board, totaled \$20,068,723 at June 30, 2019, or 6.11 percent of general fund expenditures. The prior year sum of the assigned and unassigned fund balances in the general fund was \$20,077,447, or 6.23 percent 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 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. Assets plus deferred outflows of resources, less liabilities and deferred inflows of resources, equals net position, which is a measure of the District's financial health. The statement of activities presents information about the change in the District's net position, and 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

YEAR ENDED JUNE 30, 2019

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 such as basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents the St. Lucie County Education Foundation, Inc., Renaissance Charter School at St. Lucie, Renaissance Charter School at Tradition, Somerset College Preparatory Academy of the Treasure Coast, and Somerset St. Lucie 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, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

The governmental funds balance sheet and 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 Debt Service Fund, Sections 1011.14 & 1011.15, F.S., Loans Fund and Other Capital Projects Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

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 changes to its other postemployment benefits liability.

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

YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The following is a summary of the District's net position as of June 30, 2019, compared to net position as of June 30, 2018:

	Net Position, End of Year	
	<u>2019</u>	<u>2018</u>
Assets		
Current and other assets	\$ 128,602,307	\$ 104,517,508
Capital assets	606,276,267	605,822,196
Total Assets	<u>734,878,574</u>	<u>710,339,704</u>
Deferred Outflows of Resources		
Pensions	82,101,600	83,450,305
Other postemployment benefits	1,169,384	531,685
Net carrying amount of debt refundings	8,009,267	9,131,145
Total Deferred Outflows of Resources	<u>91,280,251</u>	<u>93,113,135</u>
Liabilities		
Long term liabilities	462,415,071	479,058,137
Other liabilities	44,910,323	21,967,520
Total Liabilities	<u>507,325,394</u>	<u>501,025,657</u>
Deferred Inflows of Resources		
Pensions	21,674,502	14,594,173
Other postemployment benefits	2,247,900	513,638
Total Deferred Inflows of Resources	<u>23,922,402</u>	<u>15,107,811</u>
Net Position		
Net investment in capital assets	366,882,810	356,622,048
Restricted	67,877,849	60,772,545
Unrestricted	(139,849,630)	(130,075,221)
Total Net Position	<u>\$ 294,911,029</u>	<u>\$ 287,319,372</u>

The largest portion of the District's net position is 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 deficit unrestricted net position was the result, in part, of accruing \$200,885,606 in net pension liability.

The key elements of the changes in the District's net position for the fiscal years ended June 30, 2019, and June 30, 2018, are as follows:

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

YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

		Operating Results for the Year	
		Governmental Activities	
		June 30, 2019	June 30, 2018
Program Revenues:			
Charges for services	\$	4,481,928	\$ 4,110,374
Operating grants and contributions		19,735,368	18,987,315
Capital grants and contributions		2,134,829	2,146,972
General Revenues:			
Property taxes, levied for operations purposes		108,197,308	104,655,563
Property taxes, levied for capital projects		33,583,340	30,928,126
Local sales taxes		19,678,466	18,851,269
Grants and contributions not restricted to specific programs		226,491,541	214,523,619
Unrestricted investment earnings		2,714,514	1,472,545
Miscellaneous		35,600,136	33,757,115
Total Revenues		<u>452,617,430</u>	<u>429,432,898</u>
Program Expenses:			
Instruction		222,435,018	215,925,411
Pupil personnel services		16,861,560	16,023,352
Instructional media services		4,443,329	4,338,919
Instruction and curriculum development services		8,740,383	7,944,840
Instructional staff training services		7,191,849	6,303,742
Instruction related technology		316,924	263,730
Board of education		1,239,353	847,871
General administration		4,589,533	4,073,075
School administration		25,175,376	24,998,073
Facilities acquisition and construction		15,861,863	15,653,944
Fiscal services		2,402,286	2,228,450
Food services		26,315,941	22,534,274
Central services		5,760,492	5,689,113
Pupil transportation services		25,265,069	24,455,208
Operation of plant		27,158,378	27,320,100
Maintenance of plant		7,836,056	7,299,252
Administrative technology services		4,337,394	4,274,682
Community services		1,007,938	1,589,114
Interest on long-term debt		10,187,144	9,380,823
Unallocated depreciation/amortization expense		27,899,886	44,093,922
Total Functions/Program Expense		<u>445,025,772</u>	<u>445,237,895</u>
Decrease in Net Position		7,591,658	(15,804,997)
Net Position, Beginning		287,319,371	298,465,722
Adjustment to Beginning Net Position (1)		-	4,658,647
Net Position, Ending		<u>\$ 294,911,029</u>	<u>\$ 287,319,372</u>

(1) the adjustment to beginning net position is due to the implementation of GASB 75.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Significant revenue sources included property and sales taxes, representing 35.67 percent of total revenues, and State revenues, representing 41.95 percent 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.

Instruction expense continued to be the major component of District outlays, representing 49.98 percent of total expenses. Total expenses increased \$212,123 from the 2017-18 fiscal year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the District's chief operating fund. At the end of the current fiscal year, unassigned fund balance is \$16,028,453, while the total fund balance is \$23,897,851. The unassigned fund balance increased by \$476,582 from the unassigned fund balance for the 2017-18 fiscal year, and total fund balance increased by \$1,290,979.

The Debt Service – Other Debt Service Fund has a restricted fund balance of \$14,079,549, as compared to \$12,237,505 for the 2017-18 fiscal year. This is used to account for the debt service payments related to certificates of participation and sales tax bonds.

The Capital-Sections 1011.14 & 1011.15 – Other has a negative assigned fund balance of \$7,298,862, which decreased from the prior year negative fund balance of \$8,782,855. In 2018-19 the district issued a 2018 Revenue Anticipation Note.

The Capital Projects – Other Fund has total fund balance of \$29,509,432, of which \$10,798,202 has been encumbered for specific projects. The fund balance increased during the fiscal year primarily due to an increase in impact fees.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2018-19 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$7,315,522, or 2.33 percent. At the same time, final appropriations are more than the original budgeted amounts by \$9,641,558. 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 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.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2019, is \$366,882,810 (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.

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

Long-Term Debt

At June 30, 2019, the District had total long-term debt outstanding of \$240,600,667, composed of certificates of participation and bonds payable.

Additional information on the District's long-term debt can be found in Note 7 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

As previously noted, 41.95 percent of the District's revenues came from the State of Florida, and 35.67 percent came from property and sales taxes. The State's primary source of revenue is sales taxes, which are dependent on consumer spending by residents and tourists. County property taxes are dependent on assessed property values 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 information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 9461 Brandywine Lane, Port St. Lucie, Florida 34986.

BASIC FINANCIAL STATEMENTS

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

JUNE 30, 2019

	<u>Primary Government</u>	
	<u>Governmental Activities</u>	<u>Component Units</u>
ASSETS		
Cash and cash equivalents	\$ 81,201,245	\$ 4,346,792
Restricted cash and cash equivalents	12,029,942	-
Restricted cash and cash equivalents with fiscal service agents	21,642,855	-
Investments	4,850	-
Restricted investments with fiscal service agents	1,229,917	-
Accounts receivable, net	4,495,003	24,025
Taxes receivable	152,787	-
Due from other agencies	6,085,487	1,133,298
Deposits receivable	-	30,433
Inventory	1,695,213	-
Prepaid items and other assets	65,008	65,919
Capital assets:		
Nondepreciable capital assets	71,739,583	-
Depreciable capital assets, net	534,536,684	30,018,762
Total assets	\$ 734,878,574	\$ 35,619,229
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	\$ 82,101,600	\$ -
Other postemployment benefits	1,169,384	-
Deferred loss on refunding debt	8,009,267	-
Deferred outflows of resources	\$ 91,280,251	\$ -
LIABILITIES		
Salaries, benefits and payroll taxes payable	\$ 11,334,018	\$ 886,415
Accrued interest	3,834,288	-
Accounts payable, due to other agencies and deposits payable	9,980,935	1,984,092
Notes payable	15,000,000	-
Unearned revenue	4,761,082	-
Noncurrent liabilities:		
Portion due within one year:		
Notes payable	-	286,744
Bonds payable	6,493,000	-
Certificates of participation payable	9,025,000	-
Obligations under capital leases	-	600,000
Liability for compensated absences	2,601,088	43,543
Net other postemployment benefits liability	1,135,195	-
Net pension liability	1,650,590	-
Portion due after one year:		
Notes payable	-	331,131
Bonds payable	64,221,658	-
Certificates of participation payable	160,861,009	-
Obligations under capital leases	-	31,819,731
Liability for compensated absences	9,472,920	14,513
Net other postemployment benefits liability	7,719,595	-
Net pension liability	199,235,016	-
Total liabilities	\$ 507,325,394	\$ 35,966,169
DEFERRED INFLOWS OF RESOURCES		
Pensions	\$ 21,674,502	\$ -
Other postemployment benefits	2,247,900	-
Deferred inflows of resources	\$ 23,922,402	\$ -
NET POSITION		
Net investment in capital assets (deficit)	\$ 366,882,810	\$ (2,400,261)
Restricted for:		
Categorical carryover programs	1,242,223	-
Food service	2,049,749	-
Debt service	22,065,665	-
Capital projects	40,915,239	-
Other purposes	1,604,973	117,008
Unrestricted (deficit)	(139,849,630)	1,936,313
Total net position (deficit)	\$ 294,911,029	\$ (346,940)

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

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

YEAR ENDED JUNE 30, 2019

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
PRIMARY GOVERNMENT:			
Governmental activities:			
Instruction	\$ 222,435,018	\$ -	\$ -
Pupil personnel services	16,861,560	-	-
Instructional media services	4,443,329	-	-
Instruction and curriculum development services	8,740,383	-	-
Instructional staff training services	7,191,849	-	-
Instruction related technology	316,924	-	-
Board	1,239,353	-	-
General administration	4,589,533	-	-
School administration	25,175,376	-	-
Facilities acquisition and construction	15,861,863	-	-
Fiscal services	2,402,286	-	-
Food services	26,315,941	3,444,705	19,735,368
Central services	5,760,492	872,095	-
Pupil transportation services	25,265,069	165,128	-
Operation of plant	27,158,378	-	-
Maintenance of plant	7,836,056	-	-
Administrative technology services	4,337,394	-	-
Community services	1,007,938	-	-
Interest and fees on long-term debt	10,187,144	-	-
Unallocated depreciation/amortization	27,899,886	-	-
TOTAL PRIMARY GOVERNMENT	\$ 445,025,772	\$ 4,481,928	\$ 19,735,368
COMPONENT UNITS:			
Charter schools/Foundation	\$ 28,589,302	\$ 806,672	\$ 951,339
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			
Investment earnings			
Miscellaneous			
Total general revenues and transfers			
Change in net position			
NET POSITION - BEGINNING			
Adjustments to Net Position			
NET POSTION ENDING			

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

YEAR ENDED JUNE 30, 2019

		Net (Expense) Revenue and Changes in Net Position	
		Primary Government	
Capital Grants and Contributions	Governmental Activities	Component Units	
\$ -	\$ (222,435,018)	\$ -	-
-	(16,861,560)	-	-
-	(4,443,329)	-	-
-	(8,740,383)	-	-
-	(7,191,849)	-	-
-	(316,924)	-	-
-	(1,239,353)	-	-
-	(4,589,533)	-	-
-	(25,175,376)	-	-
2,016,662	(13,845,201)	-	-
-	(2,402,286)	-	-
-	(3,135,868)	-	-
-	(4,888,397)	-	-
-	(25,099,941)	-	-
-	(27,158,378)	-	-
-	(7,836,056)	-	-
-	(4,337,394)	-	-
-	(1,007,938)	-	-
118,167	(10,068,977)	-	-
-	(27,899,886)	-	-
<u>\$ 2,134,829</u>	<u>(418,673,647)</u>		
<u>\$ 1,967,931</u>		<u>(24,863,360)</u>	
	108,197,308	-	
	33,583,340	-	
	19,678,466	-	
	226,491,541	24,850,883	
	2,714,514	108,842	
	35,600,136	409,600	
	<u>426,265,305</u>	<u>25,369,325</u>	
	7,591,658	505,965	
	287,319,371	(852,905)	
	-		
	<u>\$ 294,911,029</u>	<u>\$ (346,940)</u>	

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

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

JUNE 30, 2019

	General Fund	Other Debt Service Fund
ASSETS		
Cash and cash equivalents	\$ 31,351,429	\$ -
Restricted cash and cash equivalents	-	1,984,926
Restricted cash and cash equivalents with fiscal service agents	-	10,864,706
Investments	-	-
Restricted investments with fiscal service agents	-	1,229,917
Taxes receivable	40,311	-
Accounts receivables, net	1,106,424	-
Due from other agencies	1,132,593	-
Due from other funds	1,243,814	-
Prepaid items	-	-
Inventories	981,932	-
Total assets	\$ 35,856,503	\$ 14,079,549
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accrued salaries and benefits	\$ 6,064,763	\$ -
Payroll deductions and withholdings	3,586,955	-
Accounts payable	1,494,609	-
Sales tax payable	159	-
Construction contracts and retainage payable	-	-
Due to other funds	-	-
Due to other agencies	14,910	-
Notes payable	-	-
Unearned revenue	-	-
Total liabilities	11,161,396	-
Deferred inflows of resources:		
Unavailable revenues	797,256	-
Fund balances:		
Nonspendable	981,932	-
Restricted	2,847,196	14,079,549
Assigned	4,040,270	-
Unassigned	16,028,453	-
Total Fund Balances	23,897,851	14,079,549
Total Liabilities, Deferred Inflows of Resources and Fund balances	\$ 35,856,503	\$ 14,079,549

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

JUNE 30, 2019

Sections 1011.14 & 1011.15, F.S., Loans	Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 34,035,473	\$ 15,814,343	\$ 81,201,245
9,007,610	-	1,037,406	12,029,942
-	-	10,778,149	21,642,855
-	-	4,850	4,850
-	-	-	1,229,917
-	-	112,476	152,787
270	3,360,529	27,780	4,495,003
-	1,600,457	3,352,437	6,085,487
-	-	-	1,243,814
-	-	65,008	65,008
-	-	713,281	1,695,213
<u>\$ 9,007,880</u>	<u>\$ 38,996,459</u>	<u>\$ 31,905,730</u>	<u>\$ 129,846,121</u>
\$ -	\$ -	\$ 1,323,433	\$ 7,388,196
-	-	358,867	3,945,822
1,081,867	3,085,524	2,381,458	8,043,458
-	-	-	159
224,875	1,088,328	55,554	1,368,757
-	-	1,243,814	1,243,814
-	553,651	-	568,561
15,000,000	-	-	15,000,000
-	4,759,524	1,558	4,761,082
<u>16,306,742</u>	<u>9,487,027</u>	<u>5,364,684</u>	<u>42,319,849</u>
-	-	-	797,256
-	-	778,289	1,760,221
-	29,509,432	25,772,765	72,208,942
-	-	-	4,040,270
(7,298,862)	-	(10,008)	8,719,583
<u>(7,298,862)</u>	<u>29,509,432</u>	<u>26,541,046</u>	<u>86,729,016</u>
<u>\$ 9,007,880</u>	<u>\$ 38,996,459</u>	<u>\$ 31,905,730</u>	<u>\$ 129,846,121</u>

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

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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

JUNE 30, 2019

Total Fund Balances - Governmental Funds \$ 86,729,016

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. 606,276,267

Revenues not available to liquidate liabilities in the governmental funds are recorded in the government-wide statements when earned. 797,256

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. 8,009,267

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. (3,834,288)

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	\$ (169,886,009)	
Bonds Payable	(70,714,658)	
Net Other Postemployment Benefits Liability	(8,854,790)	
Compensated Absences Payable	(12,074,008)	
Net Pension Liability	<u>(200,885,606)</u>	(462,415,071)

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	\$ 82,101,600	
Deferred Inflows of Resources Related to Pensions	<u>(21,674,502)</u>	60,427,098

The deferred outflows of resources and deferred inflows of resources related to OPEB are applied to future periods and, therefore, are not reported in the governmental funds.

Deferred Outflows of Resources Related to OPEB	\$ 1,169,384	
Deferred Inflows of Resources Related to OPEB	<u>(2,247,900)</u>	<u>(1,078,516)</u>

Net Position - Governmental Activities \$ 294,911,029

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

YEAR ENDED JUNE 30, 2019

	General Fund	Other Debt Service Fund
REVENUES		
Federal direct	\$ 285,708	\$ -
Federal through state	1,961,620	-
State sources	189,861,959	-
Local sources	129,626,961	45,673
Total revenues	321,736,248	45,673
EXPENDITURES		
Current:		
Instruction	200,630,271	-
Pupil personnel services	15,303,210	-
Instructional media services	4,280,769	-
Instruction and curriculum development services	4,461,142	-
Instructional staff training services	1,206,013	-
Instructional related technologies	304,695	-
Board	1,190,600	-
General administration	3,268,661	-
School administration	23,882,299	-
Facilities acquisition and construction	3,051,255	-
Fiscal services	2,211,618	-
Food services	-	-
Central services	5,531,188	-
Pupil transportation services	22,744,557	-
Operation of plant	26,744,803	-
Maintenance of plant	7,660,122	-
Administrative technology services	4,200,477	-
Community services	583,641	-
Capital outlay:		
Facilities acquisition and construction	485,625	-
Other capital outlay	358,242	-
Debt service:		
Principal	-	14,675,000
Interest	536,646	9,234,160
Dues and fees	-	16,956
Total expenditures	328,635,834	23,926,116
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,899,586)	(23,880,443)
OTHER FINANCING SOURCES (USES)		
Loans issued	197,200	-
Proceeds from the sale of capital assets	34,824	-
Loss recoveries	345	-
Transfers in	9,390,684	26,026,348
Transfers out	(1,432,488)	(303,861)
Total other financing sources (uses)	8,190,565	25,722,487
Net change in fund balances	1,290,979	1,842,044
FUND BALANCE - BEGINNING	22,606,872	12,237,505
FUND BALANCE - ENDING	\$ 23,897,851	\$ 14,079,549

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

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

YEAR ENDED JUNE 30, 2019

Sections 1011.14 & 1011.15, F.S., Loans	Other Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 3,316,412	\$ 3,602,120
-	-	47,339,402	49,301,022
-	157,433	5,440,632	195,460,024
168,237	36,575,616	37,838,524	204,255,011
168,237	36,733,049	93,934,970	452,618,177
-	-	15,674,100	216,304,371
-	-	955,898	16,259,108
-	-	4,813	4,285,582
-	-	3,955,361	8,416,503
-	-	5,798,438	7,004,451
-	-	-	304,695
-	-	-	1,190,600
-	-	1,111,934	4,380,595
-	-	363,481	24,245,780
2,907,098	1,198,738	8,778,053	15,935,144
-	-	106,572	2,318,190
-	-	25,869,457	25,869,457
-	-	72,005	5,603,193
-	-	1,220,754	23,965,311
-	-	1,867	26,746,670
-	-	10,321	7,670,443
-	-	197	4,200,674
-	-	394,727	978,368
3,469,783	15,063,375	3,135,765	22,154,548
1,396,502	836	5,439,248	7,194,828
-	-	1,269,527	15,944,527
-	-	1,452,900	11,223,706
35,068	-	16,377	68,401
7,808,451	16,262,949	75,631,795	452,265,145
(7,640,214)	20,470,100	18,303,175	353,032
-	-	-	197,200
-	-	-	34,824
-	251,750	30,450	282,545
-	-	1,738,634	37,155,666
-	(13,916,686)	(21,502,631)	(37,155,666)
-	(13,664,936)	(19,733,547)	514,569
(7,640,214)	6,805,164	(1,430,372)	867,601
341,352	22,704,268	27,971,418	85,861,415
\$ (7,298,862)	\$ 29,509,432	\$ 26,541,046	\$ 86,729,016

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

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2019

Net changes in fund balances - total governmental funds \$ 867,601

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	\$ 29,349,376	
Less: Depreciation expense	(28,553,532)	
Other adjustments	7,166	803,010

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. (348,972)

Revenue not available to liquidate liabilities in the governmental funds is reported as deferred inflow until amounts are available, but is accrued in the government-wide statements when earned. 28,855

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. 15,944,527

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	\$ 1,786,132	
Change in deferred loss on refunding debt	(1,121,878)	664,254

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 change in accrued interest at year-end. 245,541

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. 148,073

Governmental funds report District OPEB contributions as expenditures. However, in the statement of activities, the cost of OPEB benefits earned, net of employee contributions, as determined through an actuarial valuation, is reported as OPEB expense.

OPEB contributions	\$ 602,066	
OPEB expense	(798,195)	(196,129)

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	\$ 13,501,919	
HIS pension contributions	3,501,125	
FRS pension expense	(22,518,775)	
HIS pension expense	(5,049,371)	(10,565,102)

Change in Net Position - Governmental Activities \$ 7,591,658

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

JUNE 30, 2019

	Agency Fund
	Internal Accounts
ASSETS	
Cash and cash equivalents	\$ 2,455,806
Inventory	65,714
Total Assets	<u>\$ 2,521,520</u>
LIABILITIES	
Accounts payable	\$ 66,177
Due to District	2,455,343
Total Liabilities	<u>\$ 2,521,520</u>

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Note 1 — Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the St. Lucie County School District's (District) governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the student transportation services function, while remaining depreciation expense is not readily associated with a particular function and is reported as unallocated.

B. Reporting Entity

The St. Lucie County District School Board (Board) has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The District is considered part of the Florida system of public education, operates under the general direction of the Florida Department of Education (FDOE), and is governed by State law and State Board of Education (SBE) rules. The governing body of the District is the Board, which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of St. Lucie County.

Criteria for determining if other entities are potential component units that should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provides for identification of any legally separate entities for which the Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading.

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

Blended Component Unit – Blended component units, are in substance, part of the primary District's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the District. The St. Lucie County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment, as further discussed in Note 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

YEAR ENDED JUNE 30, 2019

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 of the Treasure Coast and Somerset St. Lucie, divisions of Somerset Academy, Inc. 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, as they are considered misleading to exclude because of their financial relationship to the District and the District's oversight responsibility.

The financial data reported on the accompanying statements was derived from the Charter Schools' financial statements for the fiscal year ended June 30, 2019. The financial data for the St. Lucie Education Foundation was derived from Balance Sheet and Income Statement data, as they did not provide financial statements for the fiscal year ending June 30, 2019. Audit reports will be filed in the District's administrative offices at 9461 Brandywine Lane., Port St. Lucie, Florida 34986, when submitted by the Charter Schools and Education Foundation.

C. Basis of Presentation: Government-wide Financial Statements

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

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

D. Basis of Presentation: Fund Financial Statements

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

Debt Service – 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.

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

YEAR ENDED JUNE 30, 2019

Note 1 — Summary of Significant Accounting Policies (continued)

Sections 1011.14 & 1011.15 F.S., Loans – to account for the cost relating to various educational facility capital improvements within the school district

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 fiduciary fund type:

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. Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in and out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. Measurement Focus and 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 met.

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

YEAR ENDED JUNE 30, 2019

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. For this purpose, 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. Issuances 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 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.

F. 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, as well as those held by trustees for debt service payments.

The District's investments in Florida PRIME, which the SBA indicates is a qualified external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at amortized cost.

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

YEAR ENDED JUNE 30, 2019

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.

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

YEAR ENDED JUNE 30, 2019

Note 1 — Summary of Significant Accounting Policies (continued)

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

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

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 three items that qualify for reporting in this category. The deferred outflows of resources related to pensions and other postemployment benefits (OPEB) are discussed in subsequent notes. 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.

In addition to liabilities, the statement of net position 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 in the government-wide financial statements. The deferred inflows of resources related to pensions and OPEB are discussed in subsequent notes. The governmental funds statements report unavailable revenue as deferred inflows of resources. Unavailable revenue is considered earned as of fiscal year end but was not received within the availability period subsequent to year end.

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 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

YEAR ENDED JUNE 30, 2019

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, 2019.

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

G. Revenues and Expenditures/Expenses

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 during specified time periods following the date of the original reporting. 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

YEAR ENDED JUNE 30, 2019

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 2018 tax levy on September 11, 2018. 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. This ordinance was most recently amended in April 2017 when Ordinance 2017-A17 established, in part, revised fees to be collected. The educational impact fee is collected 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

YEAR ENDED JUNE 30, 2019

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.

H. New Accounting Pronouncement

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for reporting periods beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statement related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The District has implemented this Statement for fiscal year 2019.

Note 2 — Budgetary Compliance and Accountability

A. 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

YEAR ENDED JUNE 30, 2019

Note 3 — Deposited Investments

As of June 30, 2019, 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)	31 Day Average \$ -	\$ 74,501,307
Debt Service Accounts	6 Months 4,850	
First American Government Obligations Fund Class Z (2)	35 Day Average -	10,864,706
Bank of America Master Repurchase Contract (3)	April 2020 1,229,917	-
Total investments, primary government	\$ 1,234,767	
Investments reported as cash and cash equivalents		85,366,013
Cash deposits (4)		29,508,029
Total cash and cash equivalents		\$ 114,874,042

- Notes:** (1) Florida PRIME is a qualifying 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 2004-QZAB, Series 2011A, Series 2011B, Series 2013A, Series 2015A and Series 2017.
- (3) Comprised of funds held in trust in connection with Certificates of Participation, Series 2004-QZAB.
- (4) Includes \$10,778,149 of funds held in trust in connection with Certificates of Participation, Series 2010B-QSCB and 2010C-QSCB.

Fair Value Measurement – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The District’s investments in SBA debt service accounts are valued using Level 1 inputs.

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 First American Government Obligations Fund Class Z money market investment had a weighted average days to maturity (WAM) ranging from daily liquidity to 25 days at June 30, 2019. Florida PRIME had a WAM of 29 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

YEAR ENDED JUNE 30, 2019

Note 3 — Deposited 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 SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing interest rate risk and credit risk for this account.

As of June 30, 2019, the District's investment in Florida PRIME, and First American Treasury Obligations Fund Class Z, are rated AAA by Standard & Poor's.

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 the investment or collateral securities that are in the possession of an outside party. The District 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.

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

YEAR ENDED JUNE 30, 2019

Note 4 — Changes in Capital Assets

Changes in capital assets are presented in the table below:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 42,012,687	\$ 757,637	\$ -	\$ 42,770,324
Land improvements	3,457,068	776,804	-	4,233,872
Construction in progress	5,228,493	20,939,872	1,432,978	24,735,387
Total capital assets not being depreciated	<u>50,698,248</u>	<u>22,474,313</u>	<u>1,432,978</u>	<u>71,739,583</u>
Capital assets being depreciated				
Improvements other than buildings	16,204,818	506,334	11,192	16,699,960
Buildings and fixed equipment	996,500,027	1,571,571	637,935	997,433,663
Furniture, fixtures and equipment	49,990,668	2,864,248	1,164,360	51,690,556
Motor vehicles	38,033,974	3,241,460	1,784,769	39,490,665
Audio visual materials and computer software	19,026,550	131,626	263,226	18,894,950
Total capital assets being depreciated	<u>1,119,756,037</u>	<u>8,315,239</u>	<u>3,861,482</u>	<u>1,124,209,794</u>
Less accumulated depreciation for:				
Improvements other than buildings	10,419,630	467,420	11,192	10,875,858
Buildings and fixed equipment	466,891,309	23,331,389	293,570	489,929,128
Furniture, fixtures and equipment	40,844,182	3,000,675	1,159,753	42,685,104
Motor vehicles	29,466,934	1,312,878	1,784,769	28,995,043
Audio visual material and computer software	17,010,033	441,170	263,226	17,187,977
Total accumulated depreciation	<u>564,632,088</u>	<u>28,553,532</u>	<u>3,512,510</u>	<u>589,673,110</u>
Total capital assets being depreciated, net	<u>555,123,949</u>	<u>(20,238,293)</u>	<u>348,972</u>	<u>534,536,684</u>
Governmental activities capital assets, net	<u>\$ 605,822,197</u>	<u>\$ 2,236,020</u>	<u>\$ 1,781,950</u>	<u>\$ 606,276,267</u>

Depreciation expense was charged to functions as follows:

<u>Function</u>	<u>Amount</u>
GOVERNMENTAL ACTIVITIES	
Student transportation services	\$ 653,646
Unallocated	27,899,886
Total depreciation expense - governmental activities	<u>\$28,553,532</u>

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

YEAR ENDED JUNE 30, 2019

Note 5 — Changes in Short-Term Debt

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
Tax anticipation note	\$ -	\$ 20,000,000	\$ 20,000,000	\$ -
Revenue anticipation note	-	15,000,000	-	15,000,000
Total governmental activities	<u>\$ -</u>	<u>\$ 35,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 15,000,000</u>

The Tax Anticipation Note, Series 2018, with an interest rate of 3 percent was issued on September 13, 2018, for \$20,000,000, and matured on June 28, 2019. Proceeds from the tax anticipation note were used as working capital reserves in the General Fund as permitted under State and Federal tax laws.

During fiscal year 2019, the District entered a financing arrangement under the provisions of Section 1011.14, Florida Statutes, which authorizes district school boards to create obligations for a period of one year, in anticipation of budgeted revenues accruing on a current basis, without pledging the credit of the District or requiring future levy of taxes for certain purposes. These obligations may be extended from year to year, with the consent of the lender, for a period not to exceed four years, for a total of five years, including the initial year of the loan. The Revenue Anticipation Note (RAN), in the amount of \$15,000,000 with a final maturity date of December 1, 2019, is to be used for capital improvements to educational and related facilities. If the District fails to provide the principal and interest payments through to term, the noteholders may accelerate the outstanding principal and interest accrued thereon to be due and payable immediately or make any other remedy available by law.

Amounts payable for the planned extended repayment of the RAN is as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 3,150,894	\$ 2,760,000	\$ 390,894
2021	3,239,243	2,930,000	309,243
2022	3,238,931	3,015,000	223,931
2023	3,241,110	3,105,000	136,110
2024	3,235,776	3,190,000	45,776
Total note payable	<u>\$ 16,105,954</u>	<u>\$ 15,000,000</u>	<u>\$ 1,105,954</u>

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

YEAR ENDED JUNE 30, 2019

Note 6 — Certificates of Participation and Bonds Payable

A. Certificates of Participation

Certificates of participation at June 30, 2019, are as follows:

Series	Amount Outstanding	Interest Rates (Percentage)	Lease Term Maturity	Original Amount
COPs from Direct Borrowings				
2004-QZAB	\$ 1,277,000	(1)	2020	\$ 1,277,000
2010B-QSCB	12,232,000	0.47 (2)	2027	12,232,000
2010C-QSCB	8,000,000	0.39 (2)	2028	8,000,000
Total COPs from Direct Borrowings	21,509,000			
Other COP Issuances				
2011A, Refunding	18,850,000	4.00	2021	54,850,000
2011B, Refunding	12,725,000	3.60 - 5.00	2023	12,725,000
2013A, Refunding	74,040,000	2.00 - 3.50	2030	77,255,000
2015A, Refunding	22,230,000	3.00 - 5.00	2031	26,080,000
2017A, Refunding	15,155,000	3.00 - 5.00	2033	16,660,000
Total Other COP Issuances	143,000,000			
Total Certificates of Participation	\$ 164,509,000			

- Notes:** (1) Interest on this debt is paid by the United States Government through the issuance of Federal income tax credits to the holder of the QZAB. The rate of return to the holders was established by the United States Government at the time of the sale.
- (2) Series 2010B and Series 2010C are designated as "qualified school construction bonds" as defined in Section 54F of the Internal Revenue Code, and pursuant to Section 6431 of the Code, the Board has elected to receive federal subsidy payments on each interest payment date for the certificates in an amount equal to the lesser of the amount of interest payable with respect to the certificates on such date or the amount of interest which would have been payable with respect to the certificates if the interest were determined at the applicable tax credit rate for the certificates pursuant to Section 54A(3)(b) of the Code. The interest rate for Series 2010B Certificates is 5.87%, with an allowed Federal subsidy of 5.40%. 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.

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

YEAR ENDED JUNE 30, 2019

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

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.

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, and a resulting event of termination takes place, the trustee, upon the written request of a majority of the owners of the certificates, may accelerate the outstanding principal to be due and payable immediately, take title to and sell or otherwise dispose of the financed projects, or make any other remedy available by law, for the benefit of the owners of the certificates.

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, and a resulting event of termination takes place, the trustee, upon the written request of a majority of the owners of the certificates, may accelerate the outstanding principal to be due and payable immediately, take title to and sell or otherwise dispose of the financed projects, or make any other remedy available by law, for the benefit of the owners of the certificates.

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, and a resulting event of termination takes place, the trustee, upon the written request of a majority of the owners of the certificates, may accelerate the outstanding principal to be due and payable immediately, take title to and sell or otherwise dispose of the financed projects, or make any other remedy available by law, for the benefit of the owners of the certificates.

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

YEAR ENDED JUNE 30, 2019

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

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, and a resulting event of termination takes place, the trustee, upon the written request of a majority of the owners of the certificates, may accelerate the outstanding principal to be due and payable immediately, take title to and sell or otherwise dispose of the financed projects, or make any other remedy available by law, for the benefit of the owners of the certificates.

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, and a resulting event of termination takes place, the trustee, upon the written request of a majority of the owners of the certificates, may accelerate the outstanding principal to be due and payable immediately, take title to and sell or otherwise dispose of the financed projects, or make any other remedy available by law, for the benefit of the owners of the certificates.

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, and a resulting event of termination takes place, the trustee, upon the written request of a majority of the owners of the certificates, may accelerate the outstanding principal to be due and payable immediately, take title to and sell or otherwise dispose of the financed projects, or make any other remedy available by law, for the benefit of the owners of the certificates.

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

YEAR ENDED JUNE 30, 2019

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

Series 2017A Refunding Certificates – The District entered into a financing arrangement on January 11, 2017, which was characterized as a lease-purchase agreement, with the Leasing Corporation whereby the District secured financing of \$16,660,000 to refund Certificates of Participation, Series 2007, which was used for the planning and construction of the Treasure Coast University Charter School (now called Palm Pointe Educational Research School at Tradition). Series 2017 certificates were to be repaid from the proceeds of rents paid to 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 11, 2017. 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, and a resulting event of termination takes place, the trustee, upon the written request of a majority of the owners of the certificates, may accelerate the outstanding principal to be due and payable immediately, take title to and sell or otherwise dispose of the financed projects, or make any other remedy available by law, for the benefit of the owners of the certificates.

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 11, 2017, and extends through August 15, 2032, In accordance with the sublease, TCUS will remit Charter School capital funds to the Trustee for deposit to the TCUS Fund.

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 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 2015A	Westgate K-8 School
	Treasure Coast High School Improvements
Series 2017A	Palm Pointe Educational Research School at Tradition

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

YEAR ENDED JUNE 30, 2019

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:

Fiscal Year Ending June 30	Total	Other Certificates of Participation		Certificates of Participation from Direct Borrowings	
		Principal	Interest	Principal	Interest
2020	\$ 15,869,825	\$ 9,025,000	\$ 5,710,835	\$ -	\$ 1,133,990
2021	17,130,131	9,405,000	5,314,141	1,277,000	1,133,990
2022	15,712,213	9,690,000	4,888,223	-	1,133,990
2023	15,872,062	10,325,000	4,413,072	-	1,133,990
2024	15,879,308	10,820,000	3,925,318	-	1,133,990
2025-2029	98,594,412	62,525,000	12,225,843	20,232,000	3,611,569
2030-2033	32,699,538	31,210,000	1,489,538	-	-
Total minimum lease payments	211,757,489	143,000,000	37,966,970	21,509,000	9,281,519
Plus: net unamortized premium	5,377,009	5,377,009	-	-	-
Total minimum lease payments	<u>\$ 217,134,498</u>	<u>\$ 148,377,009</u>	<u>\$ 37,966,970</u>	<u>\$ 21,509,000</u>	<u>\$ 9,281,519</u>

B. Bonds Payable

Bonds payable at June 30, 2019, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2011A, Refunding	\$ 230,000	3.0 - 5.0	2023
Series 2014B, Refunding	8,000	2.0 - 5.0	2020
District Revenue Bonds:			
Sales Tax Revenue Bonds, Series 2001	1,955,000	5	2031
Sales Tax Revenue Bonds, Series 2015, Refunding	<u>60,245,000</u>	5	2027
Total Bonds Payable	<u>\$ 62,438,000</u>		

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

YEAR ENDED JUNE 30, 2019

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 2018-2019 fiscal year, the District recognized sales tax revenues totaling \$19,678,466 and expended \$9,167,375 (46.6%) 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

YEAR ENDED JUNE 30, 2019

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2019, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2020	\$ 67,160	\$ 58,000	\$ 9,160
2021	61,500	55,000	6,500
2020	63,750	60,000	3,750
2023	66,950	65,000	1,950
Total State School Bonds	259,360	238,000	21,360
Sales Tax Revenue Bonds:			
2020	9,387,250	6,435,000	2,952,250
2021	9,377,625	6,755,000	2,622,625
2022	9,366,625	7,090,000	2,276,625
2023	9,358,375	7,445,000	1,913,375
2024	9,352,000	7,820,000	1,532,000
2025-2029	28,426,250	26,245,000	2,181,250
2030-2031	441,000	410,000	31,000
Total District Revenue Bonds	75,709,125	62,200,000	13,509,125
Total Bonds Payable	75,968,485	62,438,000	13,530,485
Plus: Net Unamortized Premium	8,276,658	8,276,658	-
Total Bonds Payable, Net	\$ 84,245,143	\$ 70,714,658	\$ 13,530,485

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

YEAR ENDED JUNE 30, 2019

Note 7 — Changes in Long-Term Liabilities

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

Description	Beginning Balance	Additions	Deductions	Ending Balance	Due In One Year
GOVERNMENTAL ACTIVITIES					
Certificates of participation payable	\$ 173,179,000	\$ -	\$ 8,670,000	\$ 164,509,000	\$ 9,025,000
Unamortized premiums/discounts	5,946,617	-	569,608	5,377,009	569,608
Certificates of participation payable, net	179,125,617	-	9,239,608	169,886,009	9,594,608
Bonds payable	68,665,000	-	6,227,000	62,438,000	6,493,000
Unamortized premium	9,440,776	-	1,164,118	8,276,658	1,164,118
Bonds payable, net	78,105,776	-	7,391,118	70,714,658	7,657,118
Capital lease obligation	1,047,525	-	1,047,525	-	-
Unamortized discount	52,376	-	52,376	-	-
Capital lease, net	1,099,901	-	1,099,901	-	-
Net OPEB liability	9,755,224	1,602,714	2,503,148	8,854,790	1,135,195
Compensated absences payable	12,222,082	2,453,015	2,601,088	12,074,008	2,601,088
Net pension liability	198,749,537	2,876,407	740,338	200,885,606	1,650,590
Total Governmental Activities	<u>\$ 479,058,137</u>	<u>\$ 6,932,136</u>	<u>\$ 23,575,201</u>	<u>\$ 462,415,071</u>	<u>\$ 22,638,599</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

A. Inter-fund Receivables/Payables

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

Funds	Interfund	
	Receivables	Payables
Major:		
General Fund	\$ 1,243,814	\$ -
Non-major Governmental Funds	-	1,243,814
Total	<u>\$ 1,243,814</u>	<u>\$ 1,243,814</u>

Interfund receivables and payables were temporary in nature and were to facilitate Federal cash flows, to cover maintenance expenditures, to provide payments to charter schools for capital outlay, and to provide debt service obligations as permitted by law.

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

YEAR ENDED JUNE 30, 2019

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

B. Inter-fund Transfers

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

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfer In</u>	<u>Transfer Out</u>
Major:		
General Fund	\$ 9,390,684	\$ 1,432,488
Other Debt Service Fund	26,026,348	303,861
Other Capital Projects Fund	-	13,916,686
Nonmajor Governmental Funds	1,738,634	21,502,631
Total	\$ 37,155,666	\$ 37,155,666

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

Note 9 — Fund Balance Reporting

The following is a schedule of fund balances by category at June 30, 2019:

	<u>Major Funds</u>					<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Other Debt Service Fund</u>	<u>Sections 1011.14 & 1011.15, F.S., Loans</u>	<u>Other Capital Projects Fund</u>	<u>Non-Major Funds</u>	
Fund Balances						
Nonspendable:						
Inventories	\$ 981,932	\$ -	\$ -	\$ -	\$ 713,281	\$ 1,695,213
Prepaid expenses	-	-	-	-	65,008	65,008
Restricted:						
State required carryover	1,242,223	-	-	-	-	1,242,223
Debt service	-	14,079,549	-	-	11,820,404	25,899,953
Capital projects	-	-	-	29,509,432	11,909,927	41,419,359
FAU lab charter school	1,604,973	-	-	-	-	1,604,973
Food service	-	-	-	-	2,042,434	2,042,434
Assigned:						
Outstanding purchase orders	1,086,415	-	-	-	-	1,086,415
Voluntary pre-kindergarten and other local programs	2,953,855	-	-	-	-	2,953,855
Unassigned	16,028,453	-	(7,298,862)	-	(10,008)	8,719,583
Total Fund Balances	\$ 23,897,851	\$ 14,079,549	\$ (7,298,862)	\$ 29,509,432	\$ 26,541,046	\$ 86,729,016

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

YEAR ENDED JUNE 30, 2019

Note 9 — Fund Balance Reporting (continued)

Fund balances are 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 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.

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

YEAR ENDED JUNE 30, 2019

Note 10 — Schedule of State Revenue Sources

The following is a schedule of the District's State revenue sources for the 2018-2019 fiscal year:

<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 141,053,897
Categorical Educational Program - Class Size Reduction	43,408,955
Florida School Recognition Funds	1,613,422
CO&DS Distribution	1,543,263
Voluntary Prekindergarten Program	799,431
Gross Receipts Tax (Public Education Capital Outlay)	641,505
Charter School Capital Outlay	1,815,741
Food Service Supplement	262,092
State License Tax	212,607
Discretionary Lottery	136,492
Miscellaneous	<u>3,972,619</u>
Total	<u>\$ 195,460,024</u>

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 2018 tax roll for the 2018-19 fiscal year:

<u>General Fund</u>	<u>Millages</u>	<u>Taxes Levied</u>
Nonvoted School Tax:		
Required Local Effort	4.087	\$ 94,648,829
Basic Discretionary Local Effort	0.748	17,322,550
Capital Projects - Local Capital Improvement Fund		
Nonvoted Tax:		
Local Capital Improvements	<u>1.500</u>	<u>34,737,780</u>
Total	<u>6.335</u>	<u>\$ 146,709,159</u>

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

Note 12 — Florida Retirement System

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

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree HIS Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

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

The District's FRS and HIS pension expense totaled \$27,568,146 for the fiscal year ended June 30, 2019.

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

YEAR ENDED JUNE 30, 2019

Note 12 — Florida Retirement System (continued)

The 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 table 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 initialenrolled 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	3.00

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

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

YEAR ENDED JUNE 30, 2019

Note 12 — Florida Retirement System (continued)

Contributions – The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2018 - 19 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	8.26
FRS, elected county officers	3.00	48.70
FRS, senior management service	3.00	24.06
FRS, special risk regular	3.00	24.50
DROP - applicable to members from all of the above classes	0.00	14.03
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 0.06 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 \$13,501,919 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the District reported a liability of \$133,710,374 for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The District's proportionate share of the net pension liability was based on the District's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the District's proportionate share was 0.443917904 percent, which was a decrease of 0.0061202369 from its proportionate share measured as of June 30, 2017.

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

YEAR ENDED JUNE 30, 2019

Note 12 — Florida Retirement System (continued)

For the fiscal year ended June 30, 2019, the District recognized the Plan pension expense of \$22,518,775. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,327,279	\$ 411,127
Change of assumptions	43,690,048	-
Net difference between projected and actual earnings on FRS pension plan investments	-	10,330,757
Changes in proportion and differences between District FRS contributions and proportionate share of FRS contributions	524,024	2,529,686
District FRS contributions subsequent to the measurement date	13,501,919	-
Total	<u>\$ 69,043,270</u>	<u>\$ 13,271,570</u>

The deferred outflows of resources related to pensions resulting from District contributions to the Plan subsequent to the measurement date, totaling \$13,501,919, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 16,696,681
2021	11,097,162
2022	1,000,029
2023	7,486,690
2024	5,197,150
Thereafter	792,069
Total	<u>\$ 42,269,781</u>

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

YEAR ENDED JUNE 30, 2019

Note 12 — Florida Retirement System (continued)

Actuarial Assumptions - The total pension liability in the July 1, 2018 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	7.60 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2018 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%	2.90%	2.90%	1.80%
Fixed income	18%	4.40%	4.30%	4.00%
Global equity	54%	7.60%	6.30%	17.00%
Real estate (property)	11%	6.60%	6.00%	11.30%
Private equity	10%	10.70%	7.80%	26.50%
Strategic investments	6%	6.00%	5.70%	8.60%
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 7.00%. 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. The discount rate used in the 2018 valuation was updated from 7.10 percent to 7.00 percent.

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

YEAR ENDED JUNE 30, 2019

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 7.00%, 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 (6.00%) or 1 percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 244,027,041	\$ 133,710,374	\$ 42,805,861

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, 2019 – The District reported a payable of \$1,630,519 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2019.

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, 2019, 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 Federal 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, 2018, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$3,501,125 for the fiscal year ended June 30, 2019.

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

YEAR ENDED JUNE 30, 2019

Note 12 — Florida Retirement System (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions – At June 30, 2019, the District reported a net pension liability of \$67,175,232 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 HIS Plan’s fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, and update procedures were used to determine liabilities as of July 1, 2018. The District’s proportionate share of the net pension liability was based on the District’s 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the District’s proportionate share was 0.634379891 percent, which was a decrease of 0.000492567 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized the HIS Plan pension expense of \$5,049,371. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,028,423	\$ 114,128
Change of assumptions	7,470,716	7,102,327
Net difference between projected and actual earnings on HIS pension plan investments	40,549	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	1,017,517	1,186,477
District HIS contributions subsequent to the measurement date	3,501,125	-
Total	\$ 13,058,330	\$ 8,402,932

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

YEAR ENDED JUNE 30, 2019

Note 12 — Florida Retirement System (continued)

The deferred outflows of resources related to pensions resulting from District contributions to the HIS Plan subsequent to the measurement date, totaling \$3,501,125 will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 975,212
2021	971,794
2022	641,254
2023	117,394
2024	(1,086,781)
Thereafter	<u>(464,600)</u>
Total	<u>\$ 1,154,273</u>

Actuarial Assumptions – The total pension liability in the July 1, 2018, 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	3.87 percent

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

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate – The discount rate used to measure the total pension liability was 3.87 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 3.58 percent to 3.87 percent.

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

YEAR ENDED JUNE 30, 2019

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 3.87 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
District's proportionate share of the net pension liability	\$ 76,508,653	\$ 67,175,232	\$ 59,395,285

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, 2019, the District reported a payable of \$514,858 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2018.

B. 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's Comprehensive Annual Financial Report.

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

YEAR ENDED JUNE 30, 2019

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. Retirement benefits are based upon the value of the member’s account upon retirement. 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, 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 Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-19 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

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, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2019, 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 in which 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 \$3,217,358 for the fiscal year ended June 30, 2019.

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

YEAR ENDED JUNE 30, 2019

Note 13 — Other Postemployment Benefits Obligations

Plan Description – The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the District that provides OPEB for all employees who satisfy the District's retirement eligibility provisions. Pursuant to Section 112.0801, Florida Statutes, former employees who retire from the District are eligible to participate in the District's health and hospitalization plan for medical, prescription drug, and life insurance coverage. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. 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 retiree healthcare costs are generally greater than active employee healthcare costs. The OPEB Plan contribution requirements and benefit terms of the District and the OPEB Plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided – The OPEB Plan provides healthcare and life insurance benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Employees Covered by Benefit Terms – At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	404
Active employees	<u>4,187</u>
Total	<u><u>4,591</u></u>

Total OPEB Liability – The District's total OPEB liability of \$8,854,790 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

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

YEAR ENDED JUNE 30, 2019

Note 13 — Other Postemployment Benefits Obligations (continued)

Actuarial Assumptions and Other Inputs – The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary Increases	Salary increase rates used for Regular Class members in the July 1, 2017 actuarial valuation of the FRS; 3.7 percent - 7.8 percent, including inflation.
Discount Rate	3.62 percent
Retirement Age	Retirement rates used for Regular Class members in the July 1, 2017 actuarial valuation of the FRS. They are based on results of a Statewide experience study covering the period 2008 - 2013.
Mortality	Mortality tables used for Regular Class members in the July 1, 2017, actuarial valuation of the FRS. They are based on the results of a Statewide experience study covering the period 2008 - 2013.
Healthcare Cost Trend Rates	Based on the Getzen Model, with trend rates starting at 9.5 percent and gradually trending to an ultimate trend rate of 4.24 percent plus 0.41 percent increase for excise tax.
Aging Factors	Based on the 2013 SOA Study “Health Care Costs – From Birth to Death.”
Expenses	Administrative expenses are included in the per capita health costs.

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of the actuarial valuation, the municipal bond rate of 3.62 percent was based on the daily rate of Fidelity’s “20-Year Municipal GO AA Index” closest to but not later than the measurement date.

Demographic assumptions employed in the actuarial valuation were the same as those employed in the July 1, 2017, actuarial valuation of the FRS Pension Plan. These demographic assumptions were developed by FRS from an actuarial experience study, and therefore are appropriate for use in the OPEB Plan actuarial valuation. These include assumed rates of future termination, mortality, disability, and retirement. In addition, salary increase assumptions (for development of the pattern of the normal cost increases) were the same as those used in the July 1, 2017, actuarial valuation of the FRS Pension Plan. Assumptions used in the valuation of benefits for participants of the FRS Investment Plan are the same as for similarly situated participants of the FRS Defined Benefit Pension Plan.

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

YEAR ENDED JUNE 30, 2019

Note 13 — Other Postemployment Benefits Obligations (continued)

Changes in the Total OPEB Liability –

	<u>Amount</u>
Balance at June 30, 2018, as restated	\$ 9,755,224
Changes for the year:	
Service cost	617,119
Interest	359,791
Difference between expected and actual experience	625,804
Changes in assumptions or other inputs	(1,971,463)
Benefit Payments	<u>(531,685)</u>
Net Changes	<u>(900,434)</u>
Balance at June 30, 2019	<u>\$ 8,854,790</u>

Changes of assumptions or other inputs reflect a change in the discount rate from 3.56 percent in 2017 to 3.62 percent in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following table presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.62 percent) or 1 percentage point higher (4.62 percent) than the current rate:

	<u>1% Decrease (2.62%)</u>	<u>Current Discount Rate (3.62%)</u>	<u>1% Increase (4.62%)</u>
Total OPEB Liability	\$ 9,722,303	\$ 8,854,790	\$ 8,091,024

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following table presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 7,907,666	\$ 8,854,790	\$ 10,010,114

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

YEAR ENDED JUNE 30, 2019

Note 13 — Other Postemployment Benefits Obligations (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
 – For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$798,195. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 567,318	\$ -
Changes in assumptions and other inputs	-	2,247,900
Benefits paid after the measurement date	602,066	-
Total	\$ 1,169,384	\$ 2,247,900

The total amount reported as deferred outflows of resources related to OPEB, totaling \$602,066 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2020. The amount reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal year ending June 30</u>	<u>Amount</u>
2020	\$ (178,715)
2021	(178,715)
2022	(178,715)
2023	(178,715)
2024	(178,715)
Thereafter	(787,007)
Total	\$ (1,680,582)

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

FOR THE YEAR ENDED JUNE 30, 2019

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, 2019:

Major Funds				
General Fund	Sections 1011.14 & 1011.15, F.S., Loans	Other Capital Projects Fund	Non Major Funds	Total Governmental Funds
\$ 1,086,415	\$ 7,320,905	\$ 10,798,202	\$ 2,757,111	\$ 21,962,633

Construction Contracts

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

Project	Contract Amount	Completed to Date	Balance Committed
South County Bus Lift Phase 3	\$ 567,562	\$ 354,585	\$ 212,508
District Administration Building	18,051,226	11,436,618	7,946,330
Ft. Pierce Magnent School of the Arts	5,816,075	2,702,478	3,716,829
Total	\$ 24,434,863	\$ 14,493,681	\$ 11,875,667

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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.

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; third party injuries and/or property damage; and natural disasters. The District is a member of the South Central Educational Risk Management Program (SCERMP) a consortium under which seven district school boards have established a public entity risk sharing pool for property, general liability, automobile liability, workers' compensation, governmental crime, and other coverage deemed necessary by the members of the SCERMP. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The interlocal agreement and bylaws of SCERMP provide that risk of loss is transferred to the consortium. SCERMP is self-sustaining through member contributions (premiums), and purchases insurance 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 SCERMP is composed of superintendents, finance directors, or an authorized representative of all participating districts. Employers Mutual, Inc. D/B/A Relation Insurance Inc. serves as the third-party administrator, insurance broker, 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). The named wind/hail/hurricane deductible is 5 percent of replacement cost value with a minimum of \$100,000 per occurrence and a maximum of \$25 million 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 2018-19 fiscal year was \$125 million.

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Note 16 — Risk Management Programs (continued)

Workers' compensation claims are limited based on a per claim self-insured retention. The self-insured retention for the 2018-19 fiscal year was \$1 million. 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 million per occurrence.

The District is protected by Section 768.28 Florida Statutes, under the Doctrine of Sovereign Immunity, as it is now written, as it may be amended by the Legislature at future dates, which effectively limits the amount of liability of governmental entities for tort claims to \$200,000 per claim and \$300,000 per occurrence.

There was one settlement amounting to \$1.5 million that exceeded insurance coverage recorded in fiscal year 2018. There were no other settlements exceeding coverage in the last three years.

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.

Note 18 — Subsequent Events

On July 23, 2019, the Board authorized the issuance of a tax anticipation note in the amount of \$24,000,000. The note proceeds will be used for operating expenses for the 2019-20 fiscal year in anticipation of the receipt of ad valorem taxes levied and collected for the same year. The note has an interest rate of 5 percent and a maturity date of June 30, 2020.

In April of 2019, the voters of St Lucie County voted in a special election and approved the referendum for one millage for operational needs of the School District for 4 years. The funds will be overseen by a Citizen's Advisory Committee and proceeds will be used beginning in 2019-20 for teacher pay, school security, mental health services and to preserve important school programs.

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 ENDED JUNE 30, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal direct	\$ 328,372	\$ 285,708	\$ 285,708	\$ -
Federal through state and local	944,428	1,961,620	1,961,620	-
State sources	186,344,605	189,861,959	189,861,959	-
Local sources:				
Property taxes	107,634,651	108,197,308	108,197,308	-
Miscellaneous	19,168,821	21,429,804	21,429,653	(151)
Total Local Revenues	126,803,472	129,627,112	129,626,961	(151)
Total Revenues	314,420,877	321,736,399	321,736,248	(151)
Expenditures				
Current - Education:				
Instruction	193,563,262	200,630,271	200,630,271	-
Pupil personnel services	15,522,345	15,303,210	15,303,210	-
Instructional media services	4,234,822	4,280,769	4,280,769	-
Instruction and curriculum development services	4,199,582	4,461,142	4,461,142	-
Instructional staff training services	1,173,553	1,206,013	1,206,013	-
Instructional - related technologies	266,995	304,695	304,695	-
Board	895,843	1,190,600	1,190,600	-
General administration	3,049,220	3,268,661	3,268,661	-
School administration	23,425,346	23,882,299	23,882,299	-
Facilities acquisition and construction	1,498,245	3,051,255	3,051,255	-
Fiscal services	1,937,683	2,211,618	2,211,618	-
Central services	5,080,939	5,531,188	5,531,188	-
Pupil transportation services	21,337,087	22,744,557	22,744,557	-
Operation of plant	30,007,527	26,744,803	26,744,803	-
Maintenance of plant	7,466,127	7,660,122	7,660,122	-
Administrative technology services	4,346,689	4,200,477	4,200,477	-
Community services	618,557	583,641	583,641	-
Fixed Capital Outlay:				
Facilities acquisition and construction	-	485,625	485,625	-
Other capital outlay	-	358,242	358,242	-
Debt Service:				
Interest	370,454	536,646	536,646	-
Total Expenditures	318,994,276	328,635,834	328,635,834	-
Deficiency of Revenues Under Expenditures	(4,573,399)	(6,899,435)	(6,899,586)	(151)
Other Financing Sources (Uses)				
Transfers in	6,087,262	9,390,684	9,390,684	-
Loans issued	-	197,200	197,200	-
Proceeds from sale of capital assets	41,175	34,824	34,824	-
Loss recoveries	-	345	345	-
Transfer out	(1,435,737)	(1,432,488)	(1,432,488)	-
Total Other Financing Sources	4,692,700	8,190,565	8,190,565	-
Net Change in Fund Balances	119,301	1,291,130	1,290,979	(151)
Fund Balances, Beginning	22,606,872	22,606,872	22,606,872	-
Fund Balances, Ending	\$ 22,726,173	\$ 23,898,002	\$ 23,897,851	\$ (151)

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OTHER POSTEMPLOYMENT
BENEFITS (OPEB) LIABILITY AND RELATED RATIOS

YEAR ENDED JUNE 30, 2019

Schedule of Changes in the District's Total OPEB Liability and Related Ratios ⁽¹⁾

Measurement Year Ended June 30,	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service cost	\$ 617,119	\$ 596,250
Interest	359,791	300,912
Difference between expected and actual experience of the total OPEB liability	625,804	-
Changes of assumptions and other inputs	(1,971,463)	(566,590)
Benefit payments	<u>(531,685)</u>	<u>(568,605)</u>
Net change in total OPEB liability	(900,434)	(238,033)
Total OPEB liability - Beginning	<u>9,755,224</u>	<u>9,993,257</u>
Total OPEB liability - Ending	<u>\$ 8,854,790</u>	<u>\$ 9,755,224</u>
Covered-Employee Payroll	\$ 160,338,958	\$ 154,322,202
Total OPEB liability as a percentage of covered-employee payroll	5.52%	6.32%

(1) The amounts presented for each year were determined as of June 30. The District implemented GASB Statement No. 75 for the fiscal year ended June 30, 2018. Information for prior years is not available.

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 ENDED JUNE 30, 2019

Schedule of the District's Proportionate Share of the Net Pension Liability ⁽¹⁾⁽²⁾

Fiscal Year Ending June 30,	District's Proportion of the FRS Net Pension Liability	District's Proportionate Share of the FRS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the FRS Net Pension Liability as a Percentage of Covered Payroll	FRS Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2018	0.443917904%	\$ 133,710,374	\$ 207,335,443	64.49%	84.26%
2017	0.442315535%	130,833,967	202,544,149	64.60%	83.89%
2016	0.448501208%	113,246,907	167,888,452	67.45%	84.88%
2015	0.471616682%	60,915,620	161,886,142	37.63%	92.00%
2014	0.474089874%	28,926,454	158,429,655	18.26%	96.09%
2013	0.466124380%	80,240,752	153,725,992	52.20%	88.54%

(1) The District implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015, including a restatement as of June 30, 2014. Information for prior years is not available.

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

Schedule of the District Contributions ⁽¹⁾

Fiscal Year Ending June 30,	Contractually required FRS contribution	FRS contributions in relation to the contractually required contribution	FRS contribution deficiency (excess)	District's covered payroll	FRS contributions as a percentage of covered payroll
2019	\$ 13,501,919	\$ (13,501,919)	\$ -	\$ 211,113,431	6.40%
2018	12,651,304	(12,651,304)	-	207,355,443	6.10%
2017	11,514,562	(11,514,562)	-	202,544,149	5.68%
2016	10,937,417	(10,937,417)	-	201,141,768	5.44%
2015	11,498,415	(11,498,415)	-	193,145,356	5.95%
2014	10,384,580	(10,384,580)	-	188,719,016	5.50%

(1) 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 ENDED JUNE 30, 2019

Schedule of the District's Proportionate Share of the Net Pension Liability ⁽¹⁾⁽²⁾

Fiscal Year Ending June 30,	District's Proportion of the HIS Net Pension Liability	District's Proportionate Share of the HIS Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the HIS Net Pension Liability as a Percentage of Covered Payroll	HIS Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2018	0.634679891%	\$ 67,175,232	\$ 207,335,443	32.40%	2.15%
2017	0.635172458%	67,915,570	202,544,149	33.53%	1.64%
2016	0.651252749%	75,900,810	201,141,768	37.73%	0.97%
2015	0.636159430%	64,878,255	193,145,356	33.59%	0.50%
2014	0.635162690%	59,389,261	188,719,016	31.47%	0.99%
2013	0.629493939%	54,805,724	182,872,212	29.97%	1.78%

(1) The District implemented GASB Statement No. 68 for the fiscal year ended June 30, 2015, including a restatement as of June 30, 2014. Information for prior years is not available.

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

Schedule of the District Contributions ⁽¹⁾

Fiscal Year Ending June 30,	Contractually required HIS contribution	HIS contributions in relation to the contractually required contribution	HIS contribution deficiency (excess)	District's covered payroll	HIS contributions as a percentage of covered payroll
2019	\$ 3,501,125	\$ (3,501,125)	\$ -	\$ 211,113,431	1.66%
2018	3,441,885	(3,441,885)	-	207,355,443	1.66%
2017	3,361,516	(3,361,516)	-	202,544,149	1.66%
2016	3,338,085	(3,338,085)	-	201,141,768	1.66%
2015	2,431,797	(2,431,797)	-	193,145,356	1.26%
2014	2,175,854	(2,175,854)	-	188,719,016	1.15%

(1) 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 ENDED JUNE 30, 2019

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 Changes in the District's Total Other Postemployment Benefits Liability and Related Ratios

Changes of Assumptions

The Discount rate was changed from 3.56 percent as of the beginning of the measurement period to 3.62 percent as of June 30, 2018.

Note 3 — Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions

The long-term expected rate of return was decreased from 7.10 percent to 7.00 percent and the active member mortality assumption was updated.

Note 4 — 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 increased from 3.58 percent to 3.87 percent.

COMPLIANCE AND SINGLE AUDIT

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

The Honorable Members of the School Board
District School Board of St. Lucie County
Port St. Lucie, 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, 2019, 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 13, 2020. Our report includes a reference to other auditors who audited the financial statements of certain discretely presented component units and school internal accounts agency fund, 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Cheryl Behrman LLP

Orlando, Florida
March 13, 2020

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

The Honorable Members of the School Board
District School Board of St. Lucie County
Port St. Lucie, 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, 2019. 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, 2019.

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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Orlando, Florida
March 13, 2020

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

YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
<i>Child Nutrition Cluster:</i>				
Florida Department of Agriculture and Consumer Services:				
School Breakfast Program	10.553	16002	\$ 4,140,032	\$ -
National School Lunch Program	10.555 (2)(A)	16001, 16003	14,632,671	-
Summer Food Service Program for Children	10.559	16006, 16007	223,589	-
<i>Total Child Nutrition Cluster</i>			18,996,292	-
Fresh Fruit and Vegetable Program	10.582	16004	501,047	-
<i>Florida Department of Health:</i>				
Child and Adult Care Food Program	10.558	302	285,850	-
Total United States Department of Agriculture			19,783,189	-
United States Department of Education				
Indirect:				
<i>Special Education Cluster:</i>				
Florida Department of Education:				
Special Education - Grants to States	84.027	262, 263	9,116,577	4,115
Special Education - Preschool Grants	84.173	266, 267	215,925	-
<i>Total Special Education Cluster</i>			9,332,502	4,115
<i>Florida Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	212, 223, 226	12,309,468	268,830
School Improvement Grants	84.377	126	1,066,907	-
Migrant Education - State Grant Program	84.011	217	95,433	-
Career and Technical Education - Basic Grants to States	84.048	161	517,468	-
Education for Homeless Children and Youth	84.196	127	75,920	-
Twenty-First Century Community Learning Centers	84.287	244	1,199,001	-
English Language Acquisition Grants	84.365	102	430,364	-
Improving Teacher Quality State Grants	84.367	224	1,469,786	-
Student Support & Academic Enrichment Program	84.424	241	605,231	-
Aid to Restart School Operations	84.938	105	744,074	37,570
<i>Total Florida Department of Education</i>			18,513,652	306,400
Direct:				
<i>U.S. Department of Education:</i>				
Arts in Education	84.351	N/A	258,394	-
Magnet Schools Assistance Program	84.165	N/A	2,258,942	-
<i>Total U.S. Department of Education</i>			2,517,336	-
Total United States Department of Education			30,363,490	310,515
United States Department of Defense				
Direct:				
Army Junior Reserve Officers Training Corps	12.U01	N/A	285,708	-
Total Expenditures of Federal Awards			\$ 50,432,387	\$ 310,515

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 \$1,563,383 of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution.

(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 ENDED JUNE 30, 2019

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes x no

Significant deficiency(ies) identified?

_____ yes x none reported

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards Section

Internal control over major programs:

Material weakness(es) identified?

_____ yes x no

Significant deficiency(ies) identified?

_____ yes x none reported

Type of auditor's report on compliance for major federal programs:

Unmodified

An audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

_____ yes x 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 Educational Agencies	84.010
Magnet Schools Assistance Program	84.165

Dollar threshold used to determine Type A programs:

Federal

 \$ 1,512,972

Auditee qualified as low-risk auditee for federal purposes?

_____ yes x no

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS PROGRAMS

YEAR ENDED JUNE 30, 2019

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*.

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

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

YEAR ENDED JUNE 30, 2019

Prior Year Findings

Finding 2018-001 – Significant Deficiency in internal Controls over Major Funds Determination

Condition: Although the District entered correct amounts on the District's major funds determination worksheet, the District inadvertently excluded the SROFP and Capital Projects – LCI Funds from major fund reporting and reported the balances and transactions of those funds in the Other Governmental Funds.

Status: The District has corrected these accounting issues in the current year.

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OTHER INFORMATION

Independent Auditor’s Management Letter

The Honorable Members of the School Board
District School Board of St. Lucie County
Port St. Lucie, 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, 2019, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated March 13, 2020. We did not audit the financial statements of certain discretely presented components nor the school internal accounts agency fund, 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 Regulations* Part 200, *Uniform 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 Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor’s Report on Compliance for Each Major Federal Program and Report 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 13, 2020, 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 findings and recommendations made in the preceding annual financial audit report.

Financial Condition and Management

Section 10.804(1)(f)2., Rules of the Auditor General, requires us to communicate whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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 review of financial information provided by same.

Section 10.804(1)(f)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. Our recommendation can be found in Appendix A of this report. We did not audit the District's response to the recommendation, which is also provided in Appendix A, and, accordingly, we express no opinion on the District's response.

Transparency

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

Additional Matters

Section 10.804(1)(f)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that has occurred, or are likely to have occurred, that has 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 note 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 "Cheryl Behrman LLP". The signature is written in a cursive, flowing style.

Orlando, Florida
March 13, 2020

DISTRICT SCHOOL BOARD OF ST. LUCIE COUNTY, FLORIDA

APPENDIX A – MANAGEMENT LETTER COMMENTS

YEAR ENDED JUNE 30, 2019

Review of Manual Journal Entries by Appropriate Personnel Independent of Journal Entry Preparation

Statement of Condition 2019-001: 8 out of 25 journal entries tested did not undergo secondary review by an individual independent of preparation.

Criteria: Manual journal entries are susceptible to management override of controls. As such, an independent secondary review of journal entries is an important control.

Effect of Condition: Journal entries could be incorrectly prepared and recorded.

Cause of Condition: Inconsistent application of controls over the journal entry process to ensure independent secondary reviews.

Recommendation: As manual journal entries are prepared, each entry should be assigned to a reviewer that was not involved in the preparation of the journal entry. We recommend that the District implement procedures to assign and track the preparer and reviewer for all manual journal entries

Management Response: Our District experienced a change in administrative staff. The Chief Financial Officer and Director of Financial Reporting have access to approve journal entries. During the transition of duties, journal entries were posted by both employees to continue work flow. Once this matter was brought to our attention, we have made changes to ensure the dual control of review of journal entries.

We have added the following procedure to our Business Services Procedures Manual to ensure a secondary review of entries.

Procedure #AC104 Approve Journal Entries

Journal Entries are entered by the appropriate staff. The approvers assigned are the Chief Financial Officer and the Director of Financial reporting. The Director of Financial Reporting regularly approves all journal entries. Journal entries entered by the Director of Financial reporting will be approved by the CFO. In cases where the CFO is not available, permission may be given to the Director of Financial Reporting to post all entries.

**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
Port St. Lucie, Florida

We have examined the District School Board of St. Lucie County, Florida's (the "District's") compliance with the local government investment policy requirements of Section 218.415, Florida Statutes, during the year ended June 30, 2019. Management of the District is responsible for the District's compliance with the specified requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the local investment policy requirements of Section 218.415, Florida Statutes during the year ended June 30, 2019.

The purpose of this report is to comply with the audit requirements of Section 218.415, Florida Statutes, and rules of the Auditor General.



Orlando, Florida
March 13, 2020