



AUDITOR GENERAL
WILLIAM O. MONROE, CPA



ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended June 30, 2006

St. Lucie County District School Board members and the Superintendent of Schools who served during the 2005-06 fiscal year are shown in the following tabulation:

	<i>District</i>
	<u><i>No.</i></u>
<i>Dr. Judi Miller, Chair to 11-21-2005</i>	<i>1</i>
<i>Carol A. Hilson</i>	<i>2</i>
<i>Dr. John J. Carvelli, Vice-Chair</i>	<i>3</i>
<i>Kathryn J. Hensley, Chair from 11-22-2005</i>	<i>4</i>
<i>Dr. Samuel S. Gaines</i>	<i>5</i>

Michael J. Lannon, Superintendent

AUDITOR GENERAL

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ST. LUCIE COUNTY DISTRICT SCHOOL BOARD

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

The St. Lucie County District School Board prepared its basic financial statements for the fiscal year ended June 30, 2006, in accordance with prescribed financial reporting standards. Club and class activity funds of the individual schools were not included within the scope of our audit.

Summary of Report on Internal Control and Compliance

The District has established and implemented procedures that generally provide for internal control of District operations. The District generally complied with significant provisions of laws, administrative rules, regulations, contracts, and grant agreements. However, we did note internal control and compliance findings that are summarized below.

Summary of Audit Findings**Finding No. 1: Electronic Funds Transfer**

Improvements were needed in controls over electronic transfer of funds to restrict the accounts to which funds may be transferred and to authorize specific individuals to change destination accounts. Additionally, there was not always supervisory review of the electronic funds transfer transactions.

Finding No. 2: Journal Entry Posting and Approval

The District did not always post journal entries to its accounting system in a timely manner. Additionally, journal entries did not always evidence supervisory approval.

Finding No. 3: Tangible Personal Property – Reconciliation with Control Accounts

The District did not reconcile the subsidiary tangible personal property records to the control accounts. Additionally, property deletions were not accurately presented to the Board for approval resulting in differences between the property records and amounts reported on the financial statements.

Finding No. 4: Bid Support

Improvements were needed by the District when using bids from other school districts. We noted two instances in which the original bids of other school districts were on file to verify the discount-off-catalog price; however, the District did not obtain and retain documentation of the vendor's catalog price of items at the time of the original bid. Consequently, District records did not evidence that the correct prices were paid for the purchases tested.

Finding No. 5: Claims Testing

Improvements were needed in internal control procedures over the District's self-insured health plan. The District does not perform a periodic review, on at least a sample basis, of the supporting documents for claims payments. Periodic reviews of the underlying support for claims payments by District personnel would help ensure that payments made by the District's third-party administrator are for valid health claims of the District.

Finding No. 6: Fingerprinting and Background Checks

Although the District implemented procedures to perform fingerprinting and background screenings of contractors, our testing disclosed that improvements were needed in implementing the law. Our testing of 15 special education contractual personnel who had direct access to students disclosed one individual had not been fingerprinted, nor had a background screening been performed, and two instances where evidence of background screenings had not been retained in the District's files and could not be located for our review.

Finding No. 7: Performance-Pay Plan

The District's performance-pay plan contained provisions which appear to limit employee participation, contrary to Florida Statutes.

Finding No. 8: Annual Facility Safety Inspections

The District did not, in some instances, correct safety and maintenance deficiencies disclosed by annual facility inspections in a timely manner. Our review of annual facility inspection reports for five facilities found instances in which previously cited maintenance and safety deficiencies remained unresolved for extended time periods.

Finding No. 9: Preparation of Board Meeting Minutes

Minutes of the Board's meetings were not timely made available for public inspection. In these circumstances, the public's access to information on Board actions may be limited.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Special Education Cluster, Improving Teacher Quality State Grants, and Disaster Grants programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested.

Audit Objectives and Scope

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

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established management controls that promote and encourage; 1) compliance with applicable laws, administrative rules, and other guidelines; 2) the economic, effective, and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of law, administrative rules, regulations, and contracts and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Corrected, or are in the process of correcting, all deficiencies disclosed in the audit reports for the 2003-04 and 2004-05 fiscal years prepared by other auditors and in our report No. 2004-162.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2006. We obtained an understanding of internal control and assessed control risk necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, administrative rules, regulations, contracts, and grant agreements.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent District records in connection with the application of procedures required by auditing standards generally accepted in the United States of America, applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget *Circular A-133*.

This audit was conducted by Mark W. Smith, CPA, and supervised by Tim L. Tucker, CPA. Please address inquiries regarding this report to David W. Martin, CPA, Audit Manager, via e-mail at davidmartin@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site www.state.fl.us/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

FINDINGS AND RECOMMENDATIONS

Reportable Conditions

Finding No. 1: Electronic Funds Transfer

Controls over the electronic transfer of funds could be improved. Our review of the District's written agreement with its local bank disclosed the following:

- The agreement did not restrict the destination accounts to which electronic fund transfers (EFT) could be made. Additionally, the written agreement did not provide for authorized individuals, who do not have the ability to transfer funds, to change destination accounts.
- The Director of Finance is authorized to electronically transfer funds with no supervisory review or approval process in place to serve as a compensating control.
- The agreement with the bank includes an individual, authorized to transfer funds, who left the District on October 22, 2004.

Under these conditions, there is an increased risk that EFTs could be made to unauthorized bank accounts and not be detected by District personnel in a timely manner. Although our audit tests did not disclose any wire transfers to unauthorized accounts, our tests cannot substitute for management's responsibility to establish effective controls over the transfer of funds.

Recommendation: The District should amend its local banking agreement to include a list of authorized destination accounts to restrict transfers and provide for authorized individuals to change destination accounts. Additionally, procedures should be established to timely remove individuals, who no longer perform wire transfers, from the local banking agreement.

Finding No. 2: Journal Entry Posting and Approval

Controls over the posting of journal entries to the District's accounting system could be improved. We selected the month of January 2006 for testing journal entries that originated from electronic funds transfers (EFT) initiated by the District. As a result of our review of the District's journal entries, we noted the following:

- Twenty-one instances in which journal entries were posted to the District's accounting system in excess of ten calendar days from the date the underlying transaction (EFT) occurred. In these 21 instances, the number of calendar days that elapsed ranged from 13 to 77.
- Ten instances in which journal entries did not evidence supervisory approval.

While our tests disclosed that the entries were appropriate and adequately supported, when journal entries are not timely recorded and approved of record, financial data obtained from the District's accounting system may not be accurate as a result of unrecorded journal entries, and there is an increased risk of incorrect or unauthorized adjustments to the accounting records.

Recommendation: The District should ensure that journal entries are posted in a timely manner and demonstrate supervisory approval to ensure that the financial data contained in its accounting system is timely updated and accurate.

Finding No. 3: Tangible Personal Property – Reconciliation with Control Accounts

Our review of subsidiary records for furniture, fixtures, and equipment, vehicles, audio visual materials, and computer software disclosed that these records were not reconciled to the control accounts. To determine the account balances reported on the financial statements, the District added the 2005-06 fiscal year capital outlay expenditures to the balances reported at June 30, 2005, and deducted certain Board approved disposals. As a result of the lack of a reconciliation process, significant differences existed between asset balances in the District’s detailed subsidiary records and amounts reported in the financial statements at June 30, 2006, as follows:

Capital Assets	June 30, 2006, Balances		
	Per Financial Statements	Per Subsidiary Records	Differences
Furniture, Fixtures, and Equipment	\$ 42,069,185.36	\$ 34,419,450.91	\$ 7,649,734.45
Motor Vehicles	29,375,288.41	27,510,373.85	1,864,914.56
Computer Software and Audio Visual Materials	10,295,478.26	6,917,023.47	3,378,454.79
	<u>\$ 81,739,952.03</u>	<u>\$ 68,846,848.23</u>	<u>\$ 12,893,103.80</u>

Additionally, District records did not adequately support the asset deletions reported on the financial statements. For example, we compared Board approved property deletions totaling \$7,035,271.25 to the amount of deletions of \$3,904,744.46 as reported on the June 30, 2006, financial statements. We were able to determine that the Board approved for deletion the same motor vehicles (29 buses) with a total value of \$993,683 at its April 25, 2006, and June 20, 2006, Board meetings. This resulted in an unexplained difference of \$2,136,843.79 between Board approved deletions and the amounts reported on the financial statements. However, because of the number of transactions, it was not practicable for us on postaudit to determine the specific causes for all differences between the subsidiary records and the amounts reported on the financial statements.

Recommendation: To ensure the accuracy and completeness of reported balances, District procedures should provide for periodic reconciliations of detailed subsidiary records for each capital assets category to its respective control account.

Additional Matters

Finding No. 4: Bid Support

State Board of Education Rule 6A-1.012(5), Florida Administrative Code, states that in lieu of requesting bids from three or more sources, school districts may make purchases at unit prices in contracts awarded by other governmental agencies, when the bidder permits purchases by the school board at the same terms, conditions,

and unit prices awarded in such contract. Our test of purchases using bids from other school districts found that improvements were needed.

- Our test of purchases of musical instruments disclosed that the District obtained copies of the original bid, which listed a discount-off-catalog price. However, documentation was not retained to document the catalog price of the items at the time of the original bid.
- Our test of purchases of audio equipment disclosed that the District obtained copies of the original bid, which listed a discount-off-catalog price. However, the invoice from the vendor listed only the net prices instead of separately listing catalog prices and applicable percentage discounts for the items being purchased. The District did not retain documentation of the catalog price at the time of the bid.

Consequently, District records did not evidence that the approved bid prices were paid for the purchases tested.

Recommendation: The District should retain documentation to support catalog prices and discounts listed on bids from other governmental agencies. In addition, the District should compare this documentation against vendor invoices to verify that correct prices were charged.

Finding No. 5: Claims Testing

Improvements were needed in internal control procedures over the District's self-insured health plan. The District operates a self-insured health plan for District employees and retirees, as permitted by Section 112.08(2)(a), Florida Statutes. The District contracted with a third-party administrator (TPA) for the processing of claims, and documentation was retained by the TPA. Payments to the TPA for claims for the 2005-06 fiscal year totaled \$30,699,112. Although the District occasionally reviews supporting documentation for claims upon an employee's request, the District does not perform a periodic review, on at least a sample basis, of the supporting documentation for claims payments. Periodic reviews of the underlying claims support by District personnel, on at least a sample basis, would help ensure that payments made by the TPA are for valid health claims of the District.

Recommendation: The District should implement procedures to effectively monitor claim payments processed by the third-party administrator.

Finding No. 6: Fingerprinting and Background Checks

Section 1012.465, Florida Statutes, was amended effective September 1, 2005, to include provisions of the Jessica Lunsford Act and requires contractual personnel who have direct contact with students or are permitted access on school grounds when students are present to meet level 2 screening requirements. Although the District implemented procedures to perform background screenings of contractors, our testing disclosed that improvements were needed in implementing the law.

Our testing of contractual personnel who were permitted on school grounds when students were present, and who had direct access to students, found that of the 15 special education contractors who were selected for testing, one had not been fingerprinted, nor had a background check been performed. In addition, the District

was unable to provide supporting documentation that two other contractors had been background screened, although the District's background screening log indicated that they had been fingerprinted.

Recommendation: The District should continue its efforts to implement the Jessica Lunsford Act by revising procedures to ensure that all contractors who are permitted access on school grounds when students are present and who have direct access to students are background screened.

Finding No. 7: Performance-Pay Plan

Section 1012.22, Florida Statutes (Statute), requires that a district school board, in determining the salary schedule for instructional personnel, must base a portion of each employee's compensation on performance demonstrated under Section 1012.34, Florida Statutes. The Statute further states that the adopted salary schedule must allow school administrators and instructional personnel who demonstrate outstanding performance under criteria set forth in Section 1012.34, Florida Statutes, to earn a 5 percent supplement in addition to their individual negotiated salary, and that these supplements shall be funded from the performance-pay reserve funds adopted in the salary schedule. While the District adopted a performance-pay plan (Plan), as similarly noted in our report No. 2004-162, the Plan appears to limit participation as follows:

- The Plan restricts participation to instructional personnel and administrative personnel with a minimum of three years and two years of experience, respectively. The Statute does not provide a provision for disallowing participation in performance-based pay plans to employees with less than three years of experience.
- Contrary to the Statute, the Plan stipulates that participation is optional and that no employee of the District shall be required to participate in the program. According to District personnel, no employees applied for the performance bonus in the 2005-06 fiscal year.
- The Plan sets aside a pool of \$50,000 per year to be used for awarding pay-for-performance awards and provides that this amount shall not increase regardless of the number of participating employees. During the 2005-06 fiscal year, the District awarded performance bonuses totaling \$2,030.15 to one employee. This employee had applied for the performance bonus in the 2004-05 fiscal year. Since the District had approximately 2,143 instructional and school-based administrative employees, and paid approximately \$140,129,000 in salary and benefits to the employees during the 2005-06 fiscal year, the pool of \$50,000 per year to be used for performance pay and payment of \$2,030.15 for performance pay to one employee does not appear to be consistent with legislative intent.

Recommendation: The District should amend its performance-pay plan so that participation is mandatory, regardless of years of experience. Also, the District should allocate a larger portion of its salary budget for performance-based pay.

Finding No. 8: Annual Facility Safety Inspections

Our review of the District's comprehensive firesafety and sanitation and casualty safety inspection reports for the 2005-06 fiscal year for five facilities disclosed that the District had not corrected several deficiencies cited in prior years' reports. While the District did make some corrections, some deficiencies remained uncorrected, including unremoved asbestos; rusted-out metal doors; missing fire extinguishers; missing entrance door handles; combustibles on or over exit doors; holes in exterior walls; and retention pond fencing. Some of these

deficiencies had been cited in the annual inspection reports up to 14 previous times (years). A similar finding was noted in our report No. 2004-162.

Section 1013.12, Florida Statutes, requires that each district school board provide for periodic inspection of each educational and ancillary plant at least once during each fiscal year to determine compliance with standards of firesafety and sanitation and casualty safety prescribed in the rules of the State Board of Education and standards adopted by the State Fire Marshal. Failure to timely correct facility deficiencies results in an increased risk that facilities could become unsafe for occupancy and could result in additional costs in the future due to further deterioration.

Recommendation: The District should enhance its maintenance and budgeting procedures to provide for the timely correction of facility deficiencies as noted in the annual inspection reports.

Finding No. 9: Preparation of Board Meeting Minutes

Minutes of the Board's meetings were not timely made available for public inspection, contrary to Sections 286.011(2) and 1001.42, Florida Statutes. Section 1001.42(1), Florida Statutes, provides that the School Board shall require minutes and records to be kept as necessary to set forth clearly all actions and proceedings of the Board and minutes shall be kept as a public record in a permanent location. Section 286.011(2), Florida Statutes, requires that all minutes of a Board meeting be promptly recorded and open to public inspection.

Our audit disclosed that minutes were generally presented to the Board for approval in a timely manner. However, our audit disclosed that, as of May 22, 2006, the minutes from all Board meetings held between July 1, 2005, and April 11, 2006, had not been recorded in the official record book and made available for public inspection. A further review on January 24, 2007, disclosed that the minutes from Board meetings held between July 1, 2005, and June 30, 2006, had been recorded with the exception of the following four Board meetings: October 25, 2005 – Regular Meeting, November 8, 2005 – Regular Meeting, November 22, 2005 – Regular Meeting, and November 22, 2005 – Special Meeting. In these circumstances, the public's access to information on Board actions may be limited. A similar finding was noted in our report No. 2004-162.

Recommendation: The Board should take the necessary action to ensure that its minutes are available for public inspection in a timely manner.

PRIOR AUDIT FINDINGS

Except as discussed in the preceding paragraphs, the District corrected the deficiencies and exceptions cited in the reports prepared by other auditors for the 2003-04 and 2004-05 fiscal years and in our report No. 2004-162.

MANAGEMENT RESPONSE

In accordance with the provisions of Section 11.45(4)(d), Florida Statutes, a list of audit findings and recommendations was submitted to members of the St. Lucie County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations included in this report is shown on pages 66 through 68.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***MANAGEMENT'S DISCUSSION AND ANALYSIS******BASIC FINANCIAL STATEMENTS***

EXHIBIT – A *Statement of Net Assets.*

EXHIBIT – B *Statement of Activities.*

EXHIBIT – C *Balance Sheet – Governmental Funds.*

EXHIBIT – D *Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.*

EXHIBIT – E *Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.*

EXHIBIT – F *Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.*

EXHIBIT – G *Statement of Net Assets – Proprietary Fund.*

EXHIBIT – H *Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund.*

EXHIBIT – I *Statement of Cash Flows – Proprietary Fund.*

EXHIBIT – J *Statement of Fiduciary Assets and Liabilities – Fiduciary Funds.*

EXHIBIT – K *Notes to Financial Statements.*

OTHER REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT – L *Budgetary Comparison Schedule – General Fund.*



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the St. Lucie County District School Board as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed on page 7. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been provided to us, and our opinion insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

Pursuant to State Board of Education Rule 6A-1.087, Florida Administrative Code, the District is required to otherwise provide for audits of the school and activity funds, commonly called the school internal funds. Accordingly, our audit did not extend to the school internal funds reported as Agency Funds on the accompanying basic financial statements. These financial activities represent 5 percent and 21 percent of the assets and liabilities, respectively, of the aggregate remaining fund information.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the school internal funds been audited, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information for the St. Lucie County District School Board as of June 30, 2006, and the changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund for the St. Lucie County District School Board as of June 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

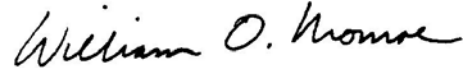
In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the St. Lucie County District School Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts,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

The Management's Discussion and Analysis (pages 11 through 18) and the Budgetary Comparison Schedule (shown as exhibit L) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the United States Office of Management

and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



William O. Monroe, CPA

February 13, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the St. Lucie County District School Board has prepared the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended June 30, 2006. The information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, and should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 19 through 56.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2005-06 fiscal year are as follows:

- The General Fund unreserved fund balance at June 30, 2006, is \$13,405,601.41, or 6.1 percent of General Fund revenues. The District's Academic Business Plan (Strategic Plan) recommends that the District maintain a General Fund fund balance equivalent to 5 percent or more of revenues.
- Revenues from impact fees on new construction increased 10.3 percent; revenues from the District's half-cent sales tax increased 8.8 percent over the prior fiscal year. The Board attributes these changes to increased impact fees that went into effect January 2006, continuing construction of new homes, and a corresponding increase in residents of the county. The city of Port St. Lucie has been ranked among the fastest-growing cities in the nation over the past two years.
- On October 18, 2005, residents of St. Lucie County overwhelmingly approved a 20-year extension of the half-cent sales tax.
- The District issued Certificates of Participation, Series 2005, in the amount of \$38,600,000 to partially fund the construction of Westgate K-8 school and Treasure Coast High School. The District also issued Sales Tax Revenue Bonds, Series 2006, in the amount of \$128,740,000 to help fund the construction of the new Ft. Pierce Central High School and a new K-8 school.
- The District's student enrollment increased by 1,550 students, or 4.5 percent, over the prior year. This resulted in an increase in State education finance funds for the 2005-06 fiscal year.
- During the year, the District opened the new Oak Hammock K-8 School and commenced construction on Westgate K-8 School and Treasure Coast High School.
- Hurricane Wilma struck Florida in October 2005 and directly impacted St. Lucie County, but the damage from Wilma was substantially less severe than that caused by hurricanes in 2004. The District believes that its property insurance and reimbursements from the Federal Emergency Management Agency (FEMA) will cover most of the repair costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the District's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial

information about the governmental activities of the primary government presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District. The statement of activities presents information about the change in the District's net assets, the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the District's financial health is improving or deteriorating.

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

- Governmental activities – These represent most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component unit – The District discretely presents one separate legal entity in this report consisting of the St. Lucie County Education Foundation. Although a legally separate organization, the component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles.

The St. Lucie School Board Leasing Corporation, Inc., was formed to facilitate financing for the acquisition of facilities and equipment for the District. Due to the substantive economic relationship between the School Board and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

Fund Financial Statements

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

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

The governmental fund statements provide a detailed short-term view that may be used to evaluate the District's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison,

both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

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

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

Proprietary Funds. Proprietary funds may be established to account for activities in which a fee is charged for services. The District maintains an internal service fund to report the activities of its self-insurance program.

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 resources held for student activities and groups.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2006, compared to net assets as of June 30, 2005:

	Net Assets, End of Year	
	Governmental Activities	
	6-30-06	6-30-05
Current and Other Assets	\$ 282,984,568.94	\$ 171,654,478.85
Capital Assets	534,361,610.82	379,829,006.23
Total Assets	817,346,179.76	551,483,485.08
Long-Term Liabilities	358,277,898.67	200,074,927.93
Other Liabilities	31,456,641.88	26,963,278.04
Total Liabilities	389,734,540.55	227,038,205.97
Net Assets:		
Invested in Capital Assets - Net of Related Debt	324,710,200.25	144,635,033.69
Restricted	74,504,951.54	84,637,255.98
Unrestricted	28,396,487.42	95,172,989.44
Total Net Assets	\$ 427,611,639.21	\$ 324,445,279.11

The largest portion of the District's net assets (76 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

The restricted portion of the District's net assets (17 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (7 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2006, and June 30, 2005, are as follows:

Operating Results for the Year

	Governmental Activities	
	6-30-06	6-30-05
Program Revenues:		
Charges for Services	\$ 4,781,012.83	\$ 4,008,483.44
Operating Grants and Contributions	18,805,858.17	18,152,712.19
Capital Grants and Contributions	7,821,694.65	14,875,899.53
General Revenues:		
Property Taxes, Levied for Operational Purposes	100,358,367.02	80,964,866.18
Property Taxes, Levied for Debt Service	9,315.66	2,358,770.80
Property Taxes, Levied for Capital Projects	33,887,228.63	26,406,256.50
Local Sales Taxes	15,138,101.52	13,911,468.30
Grants and Contributions Not Restricted to Specific Programs	131,851,319.36	136,198,792.79
Unrestricted Investment Earnings	7,095,406.07	3,470,438.84
Miscellaneous	84,921,148.87	83,172,049.55
Total Revenues	404,669,452.78	383,519,738.12
Functions/Program Expenses:		
Instruction	138,533,324.52	121,189,729.28
Pupil Personnel Services	13,018,323.36	12,292,323.11
Instructional Media Services	4,487,725.03	4,302,144.52
Instruction and Curriculum Development Services	9,367,466.00	8,704,198.20
Instructional Staff Training Services	2,321,609.50	3,478,425.87
Instruction Related Technology	334,486.00	
Board of Education	804,032.44	580,169.01
General Administration	2,332,826.88	2,299,386.60
School Administration	14,214,408.58	11,199,376.23
Facilities Acquisition and Construction	9,613,145.53	3,386,230.99
Fiscal Services	1,420,207.82	1,257,614.50
Food Services	14,338,973.51	13,351,206.48
Central Services	3,654,246.13	5,164,573.00
Pupil Transportation Services	22,070,411.89	18,340,113.87
Operation of Plant	21,897,584.03	18,042,119.95
Maintenance of Plant	6,661,463.79	5,500,161.54
Administrative Technology Services	1,931,672.38	
Community Services	395,170.51	630,597.86
Interest on Long-Term Debt	10,212,813.61	9,217,105.00
Unallocated Depreciation Expenses	23,893,201.17	13,993,022.34
Total Functions/Program Expenses	301,503,092.68	252,928,498.35
Increase in Net Assets	\$ 103,166,360.10	\$ 130,591,239.77

Significant revenue sources included property and sales taxes, representing 36.9 percent of total revenues, and state revenues, representing 31.7 percent of total revenues. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data, and is designed to maintain equity in funding across all Florida school districts, taking into consideration the District's funding ability based on the local property tax base. Other State revenues are primarily for acquisition, construction, and maintenance of education facilities.

Insurance loss recoveries are shown as Other Financing Sources in the fund financial statements and are included in total revenues for the government-wide financial statements for the purpose of calculating Net Assets. Insurance loss recoveries represent 13.8 percent of total revenues. The corresponding costs of repairs from

hurricane damage are expended in the fund financial statements but are capitalized for the government-wide financial statements.

Proceeds of new debt issues shown as other financing sources in the fund financial statements totaled \$171,615,134.98. These amounts were reclassified as deferred charges and long-term liabilities for the government-wide financial statements and for the purpose of calculating Net Assets.

Instructional expenses continue to be the major component of District outlays, representing 45.9 percent of total expenses.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance is \$12,378,006.82, while the total fund balance is \$18,131,403.35. The unreserved, undesignated fund balance increased by \$1,007,908.81, while the total fund balance increased by \$3,611,705.71 during the fiscal year. Key factors in this growth are as follows:

- Increased property values resulted in an increase in tax revenues of \$19,393,500.84, in spite of an overall decrease in the local property tax rate.
- Total expenditures increased by \$24,041,032.86, due mainly to pay increases, employment of additional staff, and an increase in required contributions to the Florida Retirement System.
- Total fund balance increased by \$3,611,705.71, primarily as a result of budgetary controls and expenditure monitoring during the fiscal year.

The Capital Projects – Capital Improvements Fund has a total fund balance of \$23,073,660.34, all of which is restricted for the acquisition, construction, and maintenance of capital assets. Fund balance increased by \$1,439,789.81 over the prior year due to continued increases in home ownership, population growth throughout St. Lucie County, and increased property values.

The Capital Projects – Other Capital Projects Fund has a total fund balance of \$176,200,670.03. The fund balance increased by \$94,613,792.09 during the year, due to a new Sales Tax Revenue bond issue; a new Certificate of Participation issue; increases in sales tax and impact fees; and FEMA and insurance receipts to cover the cost of hurricane damage repairs.

Proprietary Funds

Unrestricted net assets of the Internal Service Fund total \$13,995,765.29 at June 30, 2006, an increase of \$1,539,924.28. This increase occurred primarily because premium revenues exceeded incurred insurance claims.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2005-06 fiscal year, the District amended its General Fund budget several times, which resulted in a decrease in total budgeted revenues amounting to \$3,984,117.20, or 1.8 percent. At the same time, final appropriations are less than the original budgeted amounts by \$3,325,440.44. Budget amendments were generally due to three factors: supplemental appropriations and amendments approved after the beginning of the

fiscal year to reflect new grants, increases in existing grants, and new revenue sources; changes in revenue estimates for the State of Florida Education Finance Program (FEFP); and approval of transfers between expenditure functions. The District maintained its ongoing practice of conservative budgeting and careful monitoring of expenditures in order to increase fund balance for emergencies. Expenditures did not exceed budgeted amounts.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2006, amounts to \$534,361,610.82 (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; property under capital lease; construction in progress; and audio visual materials and computer software.

Major capital asset events during the current fiscal year included the following:

- The District opened Oak Hammock K-8 School in August 2005. Treasure Coast High School and Westgate K-8 School were under construction throughout the 2005-06 fiscal year and opened in August 2006. The District began construction on an additional K-8 school during the 2005-06 fiscal year which is expected to open in August 2007.
- The District purchased one parcel of land for \$10,000,000 to relocate Fort Pierce Central High School.
- The District purchased two parcels of land for approximately \$3,500,000, to be used for future school sites.

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

Long-Term Debt

At June 30, 2006, the District has total long-term debt outstanding of \$350,047,414.75. Composition of long-term debt is described in note 10 to the financial statements. During the year, additions of debt amounted to \$171,615,134.98, and retirement of debt amounted to \$13,209,411.94.

During the current fiscal year, the District participated in the State Board of Education's issuance of State School Bonds, which 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. Proceeds are earmarked for new school construction.

Additional information on the District's long-term debt can be found in Notes 5 through 10 to the financial statements.

OTHER MATTERS OF SIGNIFICANCE

As previously noted, 31.7 percent of the District's revenues came from the State of Florida, and approximately 36.9 percent of revenues 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. As a result, changes in tourism,

employment, and the arrival of new residents into Florida and into St. Lucie County can significantly impact our expected revenues in any given fiscal year.

Repairs of the damage from Hurricanes Frances, Jeanne, and Wilma were ongoing at June 30, 2006. The District expects to receive additional insurance loss recoveries and FEMA reimbursements to cover the costs of these repairs.

REQUESTS FOR INFORMATION

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

EXHIBIT - A
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Primary Government Governmental Activities</u>	<u>Component Unit</u>
ASSETS		
Cash and Cash Equivalents	\$ 257,968,142.72	\$ 162,729.00
Investments	4,842,877.49	65,434.00
Due from Reinsurer	650,543.37	
Due from Other Agencies	13,218,319.81	
Inventories	1,820,916.72	
Deferred Charges	4,483,768.83	
Capital Assets:		
Land	28,359,435.79	
Land Improvements - Nondepreciable	511,052.12	
Construction in Progress	91,626,561.06	
Improvements Other Than Buildings, Net	4,215,297.46	
Buildings and Fixed Equipment, Net	391,733,432.96	
Furniture, Fixtures, and Equipment, Net	5,455,931.99	
Motor Vehicles, Net	8,750,843.32	
Audio Visual Materials and Computer Software, Net	3,709,056.12	
	<u>817,346,179.76</u>	<u>228,163.00</u>
TOTAL ASSETS	\$ 817,346,179.76	\$ 228,163.00
LIABILITIES		
Salaries and Benefits Payable	\$ 5,057,150.11	\$
Payroll Deductions and Withholdings Payable	2,087,400.26	
Accounts Payable	7,350,679.93	15,724.00
Construction Contracts Payable	5,680,737.15	
Construction Contracts Payable - Retainage	4,048,121.12	
Accrued Interest	718,340.46	
Due to Other Agencies	1,233,677.58	
Estimated Insurance Claims Payable	4,095,259.00	
Deferred Revenue	1,185,276.27	
Long-Term Liabilities:		
Portion Due Within One Year:		
Notes Payable	120,584.50	
Bonds Payable	4,353,058.60	
Installment - Purchases Payable	159,722.36	
Compensated Absences Payable	1,562,215.85	
Certificates of Participation Payable	4,767,680.15	
Portion Due After One Year:		
Notes Payable	404,248.00	
Bonds Payable	142,222,324.20	
Installment - Purchases Payable	225,890.63	
Compensated Absences Payable	6,668,268.07	
Certificates of Participation Payable	197,793,906.31	
	<u>389,734,540.55</u>	<u>15,724.00</u>
Total Liabilities	389,734,540.55	15,724.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	324,710,200.25	
Restricted for:		
State Categorical Programs	2,419,986.86	
Debt Service	6,197,017.19	
Capital Projects	65,887,947.49	
Other Purposes		93,757.00
Unrestricted	28,396,487.42	118,682.00
	<u>427,611,639.21</u>	<u>212,439.00</u>
Total Net Assets	427,611,639.21	212,439.00
TOTAL LIABILITIES AND NET ASSETS	\$ 817,346,179.76	\$ 228,163.00

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

EXHIBIT - B
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	\$ 138,533,324.52	\$	\$	\$
Pupil Personnel Services	13,018,323.36			
Instructional Media Services	4,487,725.03			
Instruction and Curriculum Development Services	9,367,466.00			
Instructional Staff Training Services	2,321,609.50			
Instruction Related Technology	334,486.00			
Board of Education	804,032.44			
General Administration	2,332,826.88			
School Administration	14,214,408.58			
Facilities Acquisition and Construction	9,613,145.53			2,763,761.79
Fiscal Services	1,420,207.82			
Food Services	14,338,973.51	4,781,012.83	9,212,292.17	
Central Services	3,654,246.13			
Pupil Transportation Services	22,070,411.89		9,593,566.00	
Operation of Plant	21,897,584.03			
Maintenance of Plant	6,661,463.79			4,130,571.00
Administrative Technology Services	1,931,672.38			
Community Services	395,170.51			
Interest on Long-Term Debt	10,212,813.61			927,361.86
Unallocated Depreciation Expenses	23,893,201.17			
Total Primary Government	301,503,092.68	4,781,012.83	18,805,858.17	7,821,694.65
Component Unit:				
St. Lucie County Education Foundation, Inc.	\$ 351,124.00	\$ 0.00	\$ 97,836.00	\$ 0.00

General Revenues:

Taxes:

- Property Taxes, Levied for Operational Purposes
- Property Taxes, Levied for Debt Service
- Property Taxes, Levied for Capital Projects
- Local Sales Taxes
- Grants and Contributions Not Restricted to Specific Programs
- Unrestricted Investment Earnings
- Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - July 1, 2005

Net Assets - June 30, 2006

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

EXHIBIT - C
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006

	General Fund	Capital Projects - Capital Improvements Fund	Capital Projects - Other Capital Projects Fund
ASSETS			
Cash and Cash Equivalents	\$ 20,572,086.56	\$ 22,129,166.66	\$ 184,809,664.15
Investments	3,023,061.99	988,996.70	43,432.62
Due from Other Funds	250,387.09	20,456.79	
Due from Other Agencies	2,746,878.20	595,578.15	5,374,231.19
Inventories	1,192,012.97		
TOTAL ASSETS	\$ 27,784,426.81	\$ 23,734,198.30	\$ 190,227,327.96
LIABILITIES AND FUND BALANCES			
Liabilities:			
Salaries and Benefits Payable	\$ 4,793,660.70	\$	\$
Payroll Deductions and Withholdings Payable	2,087,400.26		
Accounts Payable	1,029,338.46	617,943.57	4,338,137.80
Construction Contracts Payable		10,443.05	5,670,294.10
Construction Contracts Payable - Retainage		32,151.34	4,015,969.78
Due to Other Funds	732.00		2,256.25
Due to Other Agencies	1,233,677.58		
Deferred Revenue	508,214.46		
Total Liabilities	9,653,023.46	660,537.96	14,026,657.93
Fund Balances:			
Reserved for State Categorical Programs	2,419,986.86		429,084.96
Reserved for Encumbrances	1,113,802.11	4,754,658.06	31,384,064.23
Reserved for Inventories	1,192,012.97		
Reserved for Debt Service			
Unreserved:			
Designated, Reported in General Fund:			
Designated for Local Carryforward Projects	1,027,594.59		
Undesignated, Reported in:			
General Fund	12,378,006.82		
Special Revenue Funds			
Capital Projects Funds		18,319,002.28	144,387,520.84
Total Fund Balances	18,131,403.35	23,073,660.34	176,200,670.03
TOTAL LIABILITIES AND FUND BALANCES	\$ 27,784,426.81	\$ 23,734,198.30	\$ 190,227,327.96

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

EXHIBIT - C

Other Governmental Funds	Total Governmental Funds
\$ 13,016,744.43	\$ 240,527,661.80
787,386.18	4,842,877.49
36,353.97	307,197.85
4,479,144.08	13,195,831.62
628,903.75	1,820,916.72
\$ 18,948,532.41	\$ 260,694,485.48
\$ 263,489.41	\$ 5,057,150.11
1,365,260.10	2,087,400.26
	7,350,679.93
	5,680,737.15
281,721.41	4,048,121.12
	284,709.66
	1,233,677.58
677,061.81	1,185,276.27
2,587,532.73	26,927,752.08
3,066,089.82	2,849,071.82
628,903.75	40,318,614.22
6,197,017.19	1,820,916.72
	6,197,017.19
	1,027,594.59
	12,378,006.82
1,924,899.92	1,924,899.92
4,544,089.00	167,250,612.12
16,360,999.68	233,766,733.40
\$ 18,948,532.41	\$ 260,694,485.48

**EXHIBIT - D
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Total Fund Balances - Governmental Funds \$ 233,766,733.40

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 534,361,610.82

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. 13,995,765.29

Debt issuance costs are not expensed in the government-wide statements, but are reported as deferred charges and amortized over the life of the related debt. 4,483,768.83

Interest on certain long-term debt is accrued as a liability in the government-wide statements, but is not recognized in the government funds until due. (718,340.46)

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	\$ 202,561,586.46	
Bonds Payable	146,575,382.80	
Notes Payable	524,832.50	
Installment-Purchases Payable	385,612.99	
Compensated Absences Payable	8,230,483.92	
	(358,277,898.67)	

Total Net Assets - Governmental Activities \$ 427,611,639.21

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

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EXHIBIT - E
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2006

	General Fund	Capital Projects - Capital Improvements Fund	Capital Projects - Other Capital Projects Fund
Revenues			
Intergovernmental:			
Federal Direct	\$ 254,490.70	\$	\$
Federal Through State			
Federal Through Local			
State	116,860,596.73		2,506,377.00
Local	<u>104,097,650.05</u>	<u>35,195,801.15</u>	<u>30,598,181.59</u>
Total Revenues	<u>221,212,737.48</u>	<u>35,195,801.15</u>	<u>33,104,558.59</u>
Expenditures			
Current - Education:			
Instruction	128,677,559.94		
Pupil Personnel Services	12,266,292.75		
Instructional Media Services	4,491,091.56		
Instruction and Curriculum Development Services	3,620,284.43		
Instructional Staff Training Services	685,989.03		
Instruction Related Technology	334,753.94		
Board of Education	804,675.50		
General Administration	1,709,583.27		
School Administration	14,175,499.49		
Facilities Acquisition and Construction	854,351.38	3,954,918.95	4,658,663.91
Fiscal Services	1,421,344.82		
Food Services	9,562.66		
Central Services	3,601,459.21		
Pupil Transportation Services	17,599,423.62		
Operation of Plant	21,912,027.05		
Maintenance of Plant	6,666,458.65		
Administrative Technology Services	1,933,209.11		
Community Services	45,400.18		
Fixed Capital Outlay:			
Facilities Acquisition and Construction	106,463.45	10,474,006.33	152,733,659.75
Other Capital Outlay	1,666,858.81	10,717,965.66	3,144,386.18
Debt Service:			
Principal			
Interest and Fiscal Charges			
Total Expenditures	<u>222,582,288.85</u>	<u>25,146,890.94</u>	<u>160,536,709.84</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,369,551.37)</u>	<u>10,048,910.21</u>	<u>(127,432,151.25)</u>
Other Financing Sources (Uses)			
Transfers In	3,870,798.15		12,478,025.45
Revenue Bonds Issued			126,995,940.95
Premium on Sale of Bonds			3,494,759.05
Refunding Bonds Issued			
Premium on Refunding Bonds			
Payment to Escrow Agent for Refunded Bonds			
Certificates of Participation Issued			38,053,555.75
Premium on Certificates of Participation			154,892.25
Proceeds from Sale of Capital Assets	88,973.03		500,236.37
Insurance Loss Recoveries	1,021,485.90		54,872,242.68
Transfers Out		<u>(8,609,120.40)</u>	<u>(14,503,709.16)</u>
Total Other Financing Sources (Uses)	<u>4,981,257.08</u>	<u>(8,609,120.40)</u>	<u>222,045,943.34</u>
Net Change in Fund Balances	3,611,705.71	1,439,789.81	94,613,792.09
Fund Balances, July 1, 2005	<u>14,519,697.64</u>	<u>21,633,870.53</u>	<u>81,586,877.94</u>
Fund Balances, June 30, 2006	<u>\$ 18,131,403.35</u>	<u>\$ 23,073,660.34</u>	<u>\$ 176,200,670.03</u>

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

EXHIBIT - E

Other Governmental Funds	Total Governmental Funds
\$ 195,985.80	\$ 450,476.50
29,910,836.11	29,910,836.11
76,507.76	76,507.76
8,674,078.08	128,041,051.81
20,463,950.87	190,355,583.66
59,321,358.62	348,834,455.84
11,285,508.25	139,963,068.19
762,443.26	13,028,736.01
	4,491,091.56
5,754,660.73	9,374,945.16
1,637,446.43	2,323,435.46
	334,753.94
	804,675.50
625,110.48	2,334,693.75
50,227.20	14,225,726.69
167,911.26	9,635,845.50
	1,421,344.82
14,340,811.37	14,350,374.03
55,694.15	3,657,153.36
226,224.20	17,825,647.82
3,075.70	21,915,102.75
297.00	6,666,755.65
	1,933,209.11
350,086.88	395,487.06
3,231,223.24	166,545,352.77
676,527.25	16,205,737.90
13,040,226.07	13,040,226.07
12,372,598.64	12,372,598.64
64,580,072.11	472,845,961.74
(5,258,713.49)	(124,011,505.90)
14,764,006.33	31,112,829.93
1,744,059.05	128,740,000.00
	3,494,759.05
570,000.00	570,000.00
55,483.68	55,483.68
(623,339.09)	(623,339.09)
546,444.25	38,600,000.00
	154,892.25
	589,209.40
	55,893,728.58
(8,000,000.37)	(31,112,829.93)
9,056,653.85	227,474,733.87
3,797,940.36	103,463,227.97
12,563,059.32	130,303,505.43
\$ 16,360,999.68	\$ 233,766,733.40

EXHIBIT - F
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net Change in Fund Balances - Governmental Funds **\$ 103,463,227.97**

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period.	154,621,577.62
Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of the internal service funds is reported with governmental activities.	1,539,924.28
The undepreciated cost of capital assets disposed of during the current period is reported in the statement of activities. In the governmental funds, the cost of these assets was expensed in the year purchased. Thus the change in net assets differs from the change in fund balance by the undepreciated cost of the disposed assets.	(88,973.03)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of 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 by which proceeds exceeded repayments and other debt expense in the current period.	(154,623,220.33)
Governmental funds report the effect of premiums and discounts in the year issued, but these amounts are deferred and amortized over the life of the debt in the statement of activities.	(3,782,502.71)
Issuance costs for new debt issues are reported as expenditures in the governmental funds, but are deferred and amortized over the life of the debt in the statement of activities.	2,102,113.63
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. This is the amount of accrued interest at year-end, less the amount accrued in the prior year.	(268,539.63)
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current period.	202,752.30

Change in Net Assets - Governmental Activities **\$ 103,166,360.10**

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

EXHIBIT - G
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
June 30, 2006

	Governmental Activities - Internal Service Fund <hr style="border: 0.5px solid black;"/>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 17,440,480.92
Due From Reinsurer	<u>650,543.37</u>
TOTAL ASSETS	<u>\$ 18,091,024.29</u>
LIABILITIES	
Current Liabilities:	
Estimated Insurance Claims Payable	<u>\$ 4,095,259.00</u>
NET ASSETS	
Unrestricted	<u>13,995,765.29</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,091,024.29</u>

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

**EXHIBIT - H
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Premium Revenues	<u>\$ 34,291,964.99</u>
OPERATING EXPENSES	
Insurance Claims	30,699,122.33
Insurance Premiums	1,025,972.36
Administration	<u>1,248,342.26</u>
Total Operating Expenses	<u>32,973,436.95</u>
Operating Income	<u>1,318,528.04</u>
NONOPERATING REVENUES	
Interest	<u>221,396.24</u>
Change in Net Assets	1,539,924.28
Total Net Assets, July 1, 2005	<u>12,455,841.01</u>
Total Net Assets, June 30, 2006	<u><u>\$ 13,995,765.29</u></u>

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

**EXHIBIT - I
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Governmental Activities - Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received for Premiums	\$ 37,060,219.45
Cash Payments for Insurance Claims	(30,895,574.33)
Cash Payments for Insurance Premiums	(1,025,972.36)
Cash Payments for Administrative Expense	<u>(1,248,342.26)</u>
Net Cash Provided by Operating Activities	<u>3,890,330.50</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>221,396.24</u>
Net Increase in Cash and Cash Equivalents	4,111,726.74
Cash and Cash Equivalents, Beginning	<u>13,328,754.18</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 17,440,480.92</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	<u>\$ 1,318,528.04</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Increase in Due from Reinsurer	(31,745.54)
Decrease in Due From Other Funds	2,800,000.00
Decrease in Estimated Insurance Claims Payable	<u>(196,452.00)</u>
Total Adjustments	<u>2,571,802.46</u>
Net Cash Provided by Operating Activities	<u><u>\$ 3,890,330.50</u></u>

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

EXHIBIT - J
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
June 30, 2006

	<u>Agency Funds (Unaudited)</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,784,305.72
Accounts Receivable, Net	14,275.18
Due from Other Funds	732.00
Inventory	<u>26,809.46</u>
TOTAL ASSETS	<u>\$ 1,826,122.36</u>
LIABILITIES	
Accounts Payable	\$ 29,081.16
Due to Other Funds	23,220.19
Internal Accounts Payable	<u>1,773,821.01</u>
TOTAL LIABILITIES	<u>\$ 1,826,122.36</u>

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

EXHIBIT – K
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

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

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

- **Blended Component Unit.** The St. Lucie School Board Leasing Corporation, Inc., was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 7. Due to the substantive economic relationship between the St. Lucie County District School Board and the 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 Unit.** The component unit columns in the basic financial statements, Exhibits A and B, include the financial data of St. Lucie County Education Foundation, Inc. (Foundation). The Foundation is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the District. An annual post audit of the Foundation's financial statements was conducted by an independent certified public accountant. The financial data reported on the accompanying financial statements was derived from the audited annual financial statements of the organization for the fiscal year ended June 30, 2006, which are on file at the District's administrative office.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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

Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

The effects of interfund activity have been eliminated from the government-wide financial statements.

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Capital Projects – Capital Improvements Fund – to account for the financial resources generated by local capital outlay millage levies to be used for educational capital outlay needs, including new construction, equipment, and renovation and remodeling projects.
- Capital Projects – Other Capital Projects Fund – to account for the financial resources generated by impact fees; issuance of Certificates of Participation, Sales Tax Revenue Bonds, and other debt; funds to be used for educational capital outlay needs, including new construction, and renovation and remodeling projects; and repair and remediation of damage caused by Hurricanes Frances and Jeanne in 2004 and Wilma in 2005, along with associated insurance loss recoveries.

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

- Proprietary Fund Type – Internal Service Fund – to account for the District's employee group health benefits.
- Fiduciary Fund Type – Agency Funds – to account for resources of the school internal funds which are used to administer moneys collected at the several schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

The government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year, with exception of insurance loss recoveries, which the District considers to be available if collection is expected within six months of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

The Proprietary Fund is accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's internal service fund are charges for employee health insurance premiums. Operating expenses include costs of services, administrative fees, and insurance payments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The St. Lucie County Education Foundation, Inc., shown as a discretely presented component unit, is accounted for as a governmental organization and uses the same accounting model as the District's governmental activities.

➤ **Deposits and Investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows considers cash as those accounts used as demand deposit accounts and cash equivalents as amounts held in repurchase agreements and amounts invested with the State Board of Administration for the District's participation in the Local Government Surplus Funds Trust Fund external investment pool created by Section 218.405, Florida Statutes.

Investments consist of amounts placed in repurchase agreements with a local bank and amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. This investment

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at fair value, which is amortized cost.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the weighted moving average basis, except that United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the District as those costing more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction.

Buildings and Fixed Equipment and Improvements Other than Buildings, are depreciated using the straight-line method over the estimated useful lives presented below. Furniture, Fixtures, and Equipment, Motor Vehicles, and Audio Visual Materials and Computer Software are depreciated using the unweighted average composite method based on the estimated useful lives presented below:

<u>Description</u>	<u>Estimated 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.

➤ **Long-Term Liabilities**

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

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

from the effective interest method. Bonds payable and certificates of participation are reported net of the unamortized premium or discount. Issuance costs on debt are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, bonds, certificates of participation, and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, as a period cost. The face amount of debt issued and any related debt premiums are reported as other financing sources, while discounts are reported as other financing uses. Debt issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

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

➤ **State Revenue Sources**

Revenues from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education (Department) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (FTE) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

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

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

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

➤ **District Property Taxes**

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

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

The School Board adopted the 2005 tax levy on September 13, 2005. Tax bills are mailed in October and taxes are payable between November 1 of the year assessed and March 31 of the following year at discounts of up to 4 percent for early payment.

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

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

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

➤ **Federal Revenue Sources**

The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

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

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

- 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.

3. INVESTMENTS

As of June 30, 2006, the District has the following investments and maturities:

Investment	Maturities	Fair Value
Repurchase Agreements (1)	N/A	\$ 232,550,580.75
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool (2)	27 Day Average	29,628,497.19
State Board of Administration Debt Service Accounts	6 Months	<u>300,851.77</u>
Total Investments, Primary Government		262,479,929.71
Component Unit:		
Mutual Funds		56,615.00
Equity Securities		<u>8,819.00</u>
Total Investments, Reporting Entity		<u>\$ 262,545,363.71</u>

Notes: (1) Includes \$9,965,789.01 held under trust agreements in connection with the Certificates of Participation, Series 2004A, financing arrangements. (See Note 7.)

(2) Includes \$20,734,237.62 held under trust agreements in connection with the Certificates of Participation, Series 2005, financing arrangements and \$4,641,408.11 held under trust agreements in connection with the Certificates of Participation, Series 2004A, financing arrangements. (See Note 7.)

Reconciliation of Statement of Net Assets to the Notes to Financial Statements:

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Fair Value of Investments, Primary Government	\$	262,479,929.71	
Deposits		<u>2,115,396.22</u>	
 Total			 <u><u>\$ 264,595,325.93</u></u>
 Cash and Cash Equivalents:			
Statement of Net Assets	\$	257,968,142.72	
Fiduciary Funds		<u>1,784,305.72</u>	\$ 259,752,448.44
 Investments			
Statement of Net Assets			 <u>4,842,877.49</u>
 Total			 <u><u>\$ 264,595,325.93</u></u>

Interest Rate Risk

- Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. 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.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments in money market funds to Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, and investments in interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, Florida Statutes. The District does not have a formal investment policy that limits its investment choices.
- The District's investments in repurchase agreements are unrated and authorized by Section 218.415, Florida Statutes. The District's investment policy stipulates the types of underlying investments for repurchase agreements and has safety of principal and maintenance of liquidity as its foremost objectives. The District's investment policy allows funds to be invested in money market funds with a rating of AAm or AAm-G or better by Standard and Poor's or an equivalent agency. The Evergreen Institutional Treasury Money Market funds were comprised of U.S. Treasury obligations and other U.S. Government agencies' debt obligations and has the highest Standard and Poor's rating of AAm and is rated AAa by Moody's Investors Service.

Concentration of Credit Risk

- The District places no limit on the amount that may be invested in any one issuer. Overnight repurchase agreements through the District's local bank and through trust agreements in connection with the Certificates of Participation, Series 2004, comprise 98 percent of the District's total investments.

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-05	Additions	Deletions	Balance 6-30-06
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 14,755,938.95	\$ 13,603,496.84	\$	\$ 28,359,435.79
Land Improvements - Nondepreciable	490,615.22	20,436.90		511,052.12
Construction in Progress	37,104,414.90	82,942,516.49	28,420,370.33	91,626,561.06
Total Capital Assets Not Being Depreciated	52,350,969.07	96,566,450.23	28,420,370.33	120,497,048.97
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	5,966,682.12	541,467.10		6,508,149.22
Buildings and Fixed Equipment	375,003,570.32	97,880,505.74		472,884,076.06
Furniture, Fixtures, and Equipment	39,551,311.47	4,939,193.17	2,421,319.28	42,069,185.36
Motor Vehicles	21,752,511.66	8,658,721.75	1,035,945.00	29,375,288.41
Audio Visual Materials and Computer Software	8,135,135.46	2,607,822.98	447,480.18	10,295,478.26
Total Capital Assets Being Depreciated	450,409,211.03	114,627,710.74	3,904,744.46	561,132,177.31
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	1,992,762.57	300,089.19		2,292,851.76
Buildings and Fixed Equipment	66,796,287.43	14,354,355.67		81,150,643.10
Furniture, Fixtures, and Equipment	32,032,397.47	6,996,452.15	2,415,596.25	36,613,253.37
Motor Vehicles	16,763,065.43	4,814,074.66	952,695.00	20,624,445.09
Audio Visual Materials and Computer Software	5,346,660.97	1,687,241.35	447,480.18	6,586,422.14
Total Accumulated Depreciation	122,931,173.87	28,152,213.02	3,815,771.43	147,267,615.46
Total Capital Assets Being Depreciated, Net	327,478,037.16	86,475,497.72	88,973.03	413,864,561.85
Governmental Activities Capital Assets, Net	\$ 379,829,006.23	\$ 183,041,947.95	\$ 28,509,343.36	\$ 534,361,610.82

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 4,259,011.85
Unallocated	23,893,201.17
Total Depreciation Expense - Governmental Activities	\$28,152,213.02

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

5. INSTALLMENT-PURCHASES PAYABLE

The class and amount of property being acquired through installment purchase is as follows:

	<u>Asset Balance</u>
Energy Management System	<u>\$ 1,335,783.00</u>

Future minimum installment-purchase payments and the present value of the minimum installment-purchase payments as of June 30 are:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 175,548.24	\$ 159,722.36	\$ 15,825.88
2008	175,548.24	167,986.01	7,562.23
2009	58,516.08	57,904.62	611.46
Total Minimum Payments	<u>\$ 409,612.56</u>	<u>\$ 385,612.99</u>	<u>\$ 23,999.57</u>

The stated interest rate is 5.055 percent.

6. NOTES PAYABLE

Notes payable are comprised of the following:

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
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Balance at
6-30-06

St. Lucie County Interlocal Notes

\$410,000, Issued by St. Lucie County June 30, 2000, Under Provisions of a Board of County Commissioners Resolution, Issued June 13, 2000, Pursuant to Chapter 125, Part I, Florida Statutes, and St. Lucie County Ordinance No. 87-77. Interest Rate 6.56 Percent. Proceeds Used for Construction of South County Regional Stadium. Matures February 1, 2010. See Note 17. \$ 190,680.00

\$731,062.67, Issued by St. Lucie County April 20, 2000, Under Provisions of a Board of County Commissioners Resolution, Issued April 4, 2000, Pursuant to Chapter 125, Part I, Florida Statutes, and St. Lucie County Ordinance No. 87-77. Interest Rates of 4.80 - 5.50 Percent. Proceeds Used for Acquisition, Construction, and Installation of an 800 MHz Radio System for Use by the County, School Board, and Other Municipalities. See Note 17. 334,152.50

Total Notes Payable \$ 524,832.50

Amounts payable for the planned extended repayment of notes payable are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2007	\$ 150,929.98	\$ 120,584.50	\$ 30,345.48
2008	151,204.64	127,408.00	23,796.64
2009	150,718.44	134,417.50	16,300.94
2010	<u>150,810.16</u>	<u>142,422.50</u>	<u>8,387.66</u>
Total	<u><u>\$ 603,663.22</u></u>	<u><u>\$ 524,832.50</u></u>	<u><u>\$ 78,830.72</u></u>

7. CERTIFICATES OF PARTICIPATION

The District entered into a financing arrangement on August 21, 2001, which arrangement was characterized as a lease-purchase agreement, with the St. Lucie School Board Leasing Corporation, Inc. (Corporation), whereby the District secured funding in the amount of \$70,400,000 to partially refund its Certificates of Participation, Series 1995, and Series 2000, and secure financing of various educational facilities. The financing was accomplished through the issuance of Certificates of Participation, Series 2001 A, B, and C, to be repaid from the proceeds of rents by the District.

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

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

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

The District entered into financing arrangements on April 30, 2004, which arrangements were characterized as lease-purchase agreements, with the Corporation, whereby the District secured funding in the amount of \$75,580,000 and \$1,277,000, respectively, for various educational facilities and technology-related equipment.

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
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The financing was accomplished through the issuance of Certificates of Participation, Series 2004A, and Series 2004-QZAB, to be repaid from the proceeds of rents by the District. The Series 2004-QZAB is a Qualified Zone Academy Bond not subject to interest.

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

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

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

The lease payments are payable by the District, semiannually, on July 1 and January 1 at fixed interest rates ranging from 3.00 to 5.00 percent for the 2005 Series; 3.00 to 5.01 percent for the 2004A Series; 2.25 to 5.12 percent for the 2003A Series; and from 3.80 to 5.50 percent for the 2001 Series. Following is a schedule by

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
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years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 14,326,703.78	\$ 4,910,000.00	\$ 9,416,703.78
2008	14,324,431.28	5,055,000.00	9,269,431.28
2009	14,322,521.28	5,215,000.00	9,107,521.28
2010	14,501,525.04	5,565,000.00	8,936,525.04
2011	14,501,650.04	5,760,000.00	8,741,650.04
2012-2016	72,500,033.78	32,445,000.00	40,055,033.78
2017-2021	73,822,895.00	42,407,000.00	31,415,895.00
2022-2026	72,510,737.50	52,095,000.00	20,415,737.50
2027-2030	<u>57,997,737.50</u>	<u>51,635,000.00</u>	<u>6,362,737.50</u>
Total Minimum Lease Payments	348,808,235.20	205,087,000.00	143,721,235.20
Less: Unamortized Net Discount	<u>(2,525,413.54)</u>	<u>(2,525,413.54)</u>	
Total Certificates of Participation	<u>\$ 346,282,821.66</u>	<u>\$ 202,561,586.46</u>	<u>\$ 143,721,235.20</u>

8. BONDS PAYABLE

Bonds payable at June 30, 2006, are as follows:

<u>Bond Type</u>	<u>Original Amount</u>	<u>Balance June 30, 2006</u>	<u>Interest Rate</u>	<u>Annual Maturity To</u>
State School Bonds:				
Series 1996B	\$ 1,275,000	\$ 160,000	4.63	2007
Series 1997A	1,300,000	45,000	6.0	2007
Series 1998A	700,000	50,000	4.5	2008
Series 1999A	640,000	565,000	4.00 - 4.75	2019
Series 2002B	1,770,000	1,500,000	4.70 - 5.38	2014
Series 2003A	800,000	725,000	3.0 - 5.0	2023
Series 2005A	4,215,000	4,215,000	4.0 - 5.0	2017
Series 2005B, Refunding	570,000	570,000	5.0	2018
Sales Tax Revenue Bonds				
Series 2001	3,370,000	3,120,000	3.9 - 5.0	2031
Series 2006	128,740,000	128,740,000	3.70 - 4.99	2027
District General Obligation Bonds:				
Series 1997	<u>29,000,000</u>	<u>3,500,000</u>	5.88	2007
Total Bonds Payable	<u>\$ 172,380,000</u>	<u>\$ 143,190,000</u>		

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

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
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➤ **State School Bonds**

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

➤ **Sales Tax Revenue Bonds Series 2001(Pari-Mutuel Revenues Replacement Program)**

These bonds are authorized by Chapters 67-1996 and 76-480, Laws of Florida, which provide that the bonds are secured by pari-mutuel replacement revenues distributed annually to St. Lucie County from the State pursuant to Section 212.20(6)(d)7.a., Florida Statutes, as replacement for moneys distributed under Section 550.135, Florida Statutes, prior to July 1, 2000.

➤ **Sales Tax Revenue Bonds Series 2006**

These bonds are authorized by Chapters 212, 1001, 1010, and 1013, Florida Statutes, and a resolution adopted by the St. Lucie County District School Board on May 23, 2006. These bonds are secured by sales tax revenues originally approved by referendum of the voters of St. Lucie County on March 12, 1996, and extended by the voters on October 18, 2005, through December 31, 2026.

➤ **District General Obligation Bonds**

General Obligation Bonds, Series 1997, are authorized by a St. Lucie County District School Board resolution adopted February 11, 1997, pursuant to Article VII, Section 12, of the Florida Constitution and Chapter 1010, Florida Statutes. These bonds were approved by bond referendum on October 3, 1995, and secured by a pledge of property taxes levied pursuant to Chapter 1011, Florida Statutes.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2006, are as follows:

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
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<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
State School Bonds:			
2007	\$ 990,302.50	\$ 615,000.00	\$ 375,302.50
2008	939,902.50	595,000.00	344,902.50
2009	948,902.50	630,000.00	318,902.50
2010	960,858.75	670,000.00	290,858.75
2011	977,652.50	720,000.00	257,652.50
2012-2016	4,535,395.00	3,805,000.00	730,395.00
2017-2021	753,325.00	660,000.00	93,325.00
2022-2023	<u>143,712.50</u>	<u>135,000.00</u>	<u>8,712.50</u>
Total State School Bonds	<u>10,250,051.25</u>	<u>7,830,000.00</u>	<u>2,420,051.25</u>
Sales Tax Revenue Bonds:			
2007	1,889,905.46	70,000.00	1,819,905.46
2008	10,319,895.00	4,225,000.00	6,094,895.00
2009	10,320,825.00	4,395,000.00	5,925,825.00
2010	10,319,875.00	4,570,000.00	5,749,875.00
2011	10,316,785.00	4,775,000.00	5,541,785.00
2012-2016	51,589,675.00	27,185,000.00	24,404,675.00
2017-2021	51,588,551.28	33,575,000.00	18,013,551.28
2022-2026	51,589,607.50	42,485,000.00	9,104,607.50
2027-2031	<u>11,201,525.00</u>	<u>10,580,000.00</u>	<u>621,525.00</u>
Subtotal Sales Tax Revenue Bonds	209,136,644.24	131,860,000.00	77,276,644.24
Plus: Unamortized Net Premium	<u>3,385,382.80</u>	<u>3,385,382.80</u>	<u> </u>
Total Sales Tax Revenue	<u>212,522,027.04</u>	<u>135,245,382.80</u>	<u>77,276,644.24</u>
General Obligation Bonds:			
2007	<u>3,705,625.00</u>	<u>3,500,000.00</u>	<u>205,625.00</u>
Total	<u>\$ 226,477,703.29</u>	<u>\$ 146,575,382.80</u>	<u>\$ 79,902,320.49</u>

9. DEFEASED DEBT

The Florida Department of Education issued Capital Outlay Refunding Bonds, Series 2005B, dated July 1, 2005, with an average interest rate of 4.99 percent, to advance-refund callable portions of the District's State School Bonds, Series 1998A. The Refunding Bonds are being issued to advance-refund the \$590,000 principal amount of the District's State School Bonds, Series 1998A, that mature on or after January 1, 2009. The District's pro rata share of net proceeds totaling \$623,339.09 (after deduction of \$2,144.59 by the Florida Department of Education for the District's pro rata share of underwriting fees, insurance, and other issuance costs) was placed in an irrevocable trust to provide for future debt service payments. As a result,

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
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State School Bonds, Series 1998A, totaling \$590,000, are considered to be in-substance defeased, and the liability for these bonds has been removed from the government-wide financial statements.

The Series 2005B bonds were issued to reduce the total debt service payments over the next 13 years by approximately \$44,065 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$33,836.

In prior year, portions of the State School Bonds, Series 1997A, were refunded by the Florida Department of Education and considered defeased in substance by placing a portion of the proceeds of new State School Bonds, Series 2005A, in an irrevocable trust to provide for future debt service payments. Accordingly, the trust account assets and the liability for the in-substance defeased State School Bonds are not included in the District's financial statements. On June 30, 2006, State School Bonds, Series 1997A, totaling \$835,000 outstanding are considered defeased in substance.

10. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-05	Additions	Deductions	Balance 6-30-06	Due in One Year
GOVERNMENTAL ACTIVITIES					
Certificates of Participation Payable	\$ 170,437,181.00	\$ 38,600,000.00	\$ 3,950,181.00	\$205,087,000.00	\$ 4,910,000.00
Less: Unamortized Net Discount	<u>(2,823,665.18)</u>	<u>154,892.25</u>	<u>(143,359.39)</u>	<u>(2,525,413.54)</u>	<u>(142,319.85)</u>
Net Certificates of Participation Payable	<u>167,613,515.82</u>	<u>38,754,892.25</u>	<u>3,806,821.61</u>	<u>202,561,586.46</u>	<u>4,767,680.15</u>
Bonds Payable	22,450,000.00	129,310,000.00	8,570,000.00	143,190,000.00	4,185,000.00
Plus: Unamortized Net Premium	<u>(98,868.27)</u>	<u>3,550,242.73</u>	<u>65,991.66</u>	<u>3,385,382.80</u>	<u>168,058.60</u>
Net Bonds Payable	<u>22,351,131.73</u>	<u>132,860,242.73</u>	<u>8,635,991.66</u>	<u>146,575,382.80</u>	<u>4,353,058.60</u>
Notes Payable	1,139,566.00		614,733.50	524,832.50	120,584.50
Installment-Purchases Payable	537,478.16		151,865.17	385,612.99	159,722.36
Compensated Absences Payable	<u>8,433,236.22</u>	<u>1,359,463.55</u>	<u>1,562,215.85</u>	<u>8,230,483.92</u>	<u>1,562,215.85</u>
Total Governmental Activities	<u>\$ 200,074,927.93</u>	<u>\$ 172,974,598.53</u>	<u>\$ 14,771,627.79</u>	<u>\$358,277,898.67</u>	<u>\$10,963,261.46</u>

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

11. RESERVE FOR ENCUMBRANCES

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

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
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The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2006-07 fiscal year budget as a result of purchase orders outstanding at June 30, 2006.

12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major Funds:		
General	\$ 250,387.09	\$ 732.00
Capital Projects:		
Capital Improvements	20,456.79	
Other - Capital Projects		2,256.25
Nonmajor Governmental	36,353.97	281,721.41
Fiduciary	732.00	23,220.19
	<u>732.00</u>	<u>23,220.19</u>
Total	<u>\$ 307,929.85</u>	<u>\$ 307,929.85</u>

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major Funds:		
General	\$ 3,870,798.15	\$
Capital Projects:		
Capital Improvements		8,609,120.40
Other - Capital Projects	12,478,025.45	14,503,709.16
Nonmajor Governmental	14,764,006.33	8,000,000.37
	<u>14,764,006.33</u>	<u>8,000,000.37</u>
Total	<u>\$ 31,112,829.93</u>	<u>\$ 31,112,829.93</u>

Interfund transfers generally represent permanent transfers of funds to cover debt service payments and maintenance expenditures as permitted by law.

13. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2005-06 fiscal year:

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
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<u>Source</u>	<u>Amount</u>
Florida Education Finance Program	\$ 77,958,741.00
Categorical Educational Programs:	
Class Size Reduction - Operational	19,295,993.00
Transportation	9,593,566.00
Instructional Materials	3,545,282.00
Discretionary Lottery Funds	1,691,925.00
School Recognition Funds	997,343.19
Other	1,859,780.92
Gross Receipts Tax (Public Education Capital Outlay)	4,130,571.00
Public Education Capital Outlay High Growth Assistance Grant	2,786,591.00
Classrooms for Kids	2,506,377.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,160,154.71
Innovative Reading Pilot	394,233.00
Food Service Supplement	285,150.00
Hurricane Relief - Governor's Executive Order	278,388.00
Mobile Home License Tax	254,963.36
Pari-Mutuel Tax	223,250.00
Miscellaneous	<u>1,078,742.63</u>
 Total	 <u><u>\$ 128,041,051.81</u></u>

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

14. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2005 tax roll for the 2005-06 fiscal year:

	<u>Millages</u>	<u>Taxes Levied</u>
<u>GENERAL FUND</u>		
Nonvoted School Tax:		
Required Local Effort	5.187	\$ 91,709,690
Basic Discretionary Local Effort	0.510	9,017,170
Supplemental Discretionary Local Effort	0.225	3,978,174
<u>CAPITAL PROJECTS FUNDS</u>		
Nonvoted Tax:		
Local Capital Improvements	<u>2.000</u>	<u>35,361,358</u>
Total	<u><u>7.922</u></u>	<u><u>\$ 140,066,392</u></u>

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
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15. STATE RETIREMENT PROGRAM

Defined Benefit Plan. All regular employees of the District are covered by Florida Retirement System (FRS). FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS.

Benefits in the Plan vest at six years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments.

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

Funding Policy. The contribution rates for members are established, and may be amended, by the State of Florida. During the 2005-06 fiscal year, contribution rates were as follows:

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
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Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	7.83
Florida Retirement System, Elected County Officers	0.00	15.23
Florida Retirement System, Senior Management Service	0.00	10.45
Florida Retirement System, Special Risk	0.00	18.53
Teachers' Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	0.00	9.33
Florida Retirement System, Reemployed Retiree	(B)	(B)

- Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.
- (B) Contribution rates are dependent upon the retirement class in which reemployed.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions, including employee contributions, for the fiscal years ending June 30, 2004, June 30, 2005, and June 30, 2006, totaled \$8,458,604.22, \$10,338,638.53, and \$10,711,603.86, respectively, which were equal to the required contributions for each fiscal year.

Defined Contribution Plan. Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 535 District participants in the PEORP during the 2005-06 fiscal year. Required employer contributions made to the program for the fiscal year ending June 30, 2006, totaled \$1,358,807.02.

Pension Reporting. The financial statements and other supplemental information of FRS are included in the comprehensive annual financial report of the State of Florida which may be obtained from the Florida Department of Financial Services. Also, an annual report on FRS, which includes its financial statements, required supplemental information, actuarial report, and other relevant information, may be obtained from the Florida Department of Management Services, Division of Retirement.

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

16. CONSTRUCTION CONTRACT COMMITMENTS

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

Project	Contract Amount	Completed to Date	Balance Committed
Replacement of Ft. Pierce Central High School:			
Architect	\$ 1,951,700.00	\$ 607,740.00	\$ 1,343,960.00
Westgate K-8 School:			
Architect	1,082,050.00	1,011,248.00	70,802.00
Contractor	25,031,487.00	20,680,451.00	4,351,036.00
K-8 School CC-A:			
Architect	1,164,000.00	709,784.40	454,215.60
Contractor	2,616,000.00		2,616,000.00
Treasure Coast High School:			
Architect	1,882,400.00	1,745,436.00	136,964.00
Contractor	53,538,425.00	35,860,481.98	17,677,943.02
Total	<u>\$ 87,266,062.00</u>	<u>\$ 60,615,141.38</u>	<u>\$ 26,650,920.62</u>

17. JOINT VENTURES

By a resolution adopted on October 24, 1989, the Board entered into a joint venture with the St. Lucie County Board of County Commissioners (County) to build a library adjacent to the middle school located on Morningside Boulevard in St. Lucie County, leased by the County to the School Board. The 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, of the library for educational purposes and for extracurricular activities as part of the normal school programs of the Board.

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

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

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

18. RISK MANAGEMENT PROGRAMS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The St. Lucie County District School Board is a member of the South Central Educational Risk Management Program (Consortium) under which several district school boards have established a combined limited self-insurance program for property protection, general liability, automobile liability, workers' compensation, money and securities, employee fidelity and faithful performance, boiler and machinery, and other coverage deemed necessary by the members of the Consortium. Section 1001.42(10)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Consortium is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. The Board of Directors for the Consortium is composed of superintendents of all participating districts. Employers' Mutual, Inc., serves as fiscal agent for the Consortium.

The property and casualty group under SCERMP is a public entity risk pool which was organized to develop, implement, and administer a multi-district cooperative property and casualty risk management program for the member school boards in which risk of loss is transferred to the group. The School Board makes an annual contribution to the group for its property and casualty coverage. The interlocal agreement and bylaws of the property and casualty group provide that the group will be self-sustaining through member contributions. However, member school boards are subject to supplemental contributions in the event of a contribution deficiency, except to the extent that the deficiency results from a specific claim against a member school board in excess of the coverage available, then such deficiency is solely the responsibility of that member school board. In addition, it is the property and casualty group's policy to carry excess coverage through commercial insurance carriers for workers' compensation and property loss claims in excess of \$1,000,000 and \$2,500,000, respectively. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

The District was struck by Hurricanes Frances and Jeanne in September 2004 and Wilma in 2005. The repair and remediation process is ongoing, but the District believes that its property/casualty insurance, along with reimbursements from the Federal Emergency Management Agency (FEMA), will cover most of the costs of repairs and remediation.

The District's group health and dental plans are self-insured. WEB-TPA is the third-party administrator for the plans. The District has purchased reinsurance to cover individual claims exceeding \$200,000. Ultimate liability for claims remains with the District and, accordingly, the insurance risks are not transferred. A

EXHIBIT - K (Continued)
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

liability in the amount of \$4,095,259 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2006, and is reported on the government-wide statements. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

The following schedule represents the changes in claims liability for the past two fiscal years for the District's self-insurance programs:

Fiscal Year	Beginning-of-Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2004-2005	\$ 4,095,259.00	\$ 24,487,013.00	\$ (24,290,561.00)	\$ 4,291,711.00
2005-2006	4,291,711.00	30,699,122.33	(30,895,574.33)	4,095,259.00

19. LITIGATION

Various suits and claims arising in the ordinary course of District business are pending. It is the opinion of management and the District's legal counsel that the potential amount of the District's liability in these matters will not be material to the financial statements.

EXHIBIT - L
ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
For the Fiscal Year Ended June 30, 2006

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Intergovernmental:				
Federal Direct	\$ 204,667.00	\$ 247,542.58	\$ 254,490.70	\$ 6,948.12
Federal Through State	656,942.00	770,456.78		(770,456.78)
State	123,374,323.89	116,743,788.65	116,860,596.73	116,808.08
Local	100,745,638.00	103,235,665.68	104,097,650.05	861,984.37
Total Revenues	224,981,570.89	220,997,453.69	221,212,737.48	215,283.79
Expenditures				
Current - Education:				
Instruction	139,135,138.18	130,386,664.29	128,677,559.94	1,709,104.35
Pupil Personnel Services	11,674,537.77	12,382,739.11	12,266,292.75	116,446.36
Instructional Media Services	4,489,352.84	4,552,114.42	4,491,091.56	61,022.86
Instruction and Curriculum Development Services	5,029,990.44	3,653,230.30	3,620,284.43	32,945.87
Instructional Staff Training Services	928,978.14	696,282.51	685,989.03	10,293.48
Instruction Related Technology	84,378.35	340,807.40	334,753.94	6,053.46
Board of Education	605,888.51	825,123.01	804,675.50	20,447.51
General Administration	1,527,396.88	1,709,583.27	1,709,583.27	
School Administration	14,065,725.13	14,175,499.49	14,175,499.49	
Facilities Acquisition and Construction	468,929.29	854,351.38	854,351.38	
Fiscal Services	1,322,976.55	1,421,344.82	1,421,344.82	
Food Services		9,562.66	9,562.66	
Central Services	5,863,749.39	3,650,222.04	3,601,459.21	48,762.83
Pupil Transportation Services	16,415,890.42	17,758,011.29	17,599,423.62	158,587.67
Operation of Plant	20,062,962.63	22,026,407.82	21,912,027.05	114,380.77
Maintenance of Plant	6,383,015.11	6,840,542.17	6,666,458.65	174,083.52
Administrative Technology Services	7,812.43	1,994,232.11	1,933,209.11	61,023.00
Community Services	361,272.74	52,514.01	45,400.18	7,113.83
Fixed Capital Outlay:				
Facilities Acquisition and Construction		106,463.45	106,463.45	
Other Capital Outlay		1,666,858.81	1,666,858.81	
Total Expenditures	228,427,994.80	225,102,554.36	222,582,288.85	2,520,265.51
Deficiency of Revenues Over Expenditures	(3,446,423.91)	(4,105,100.67)	(1,369,551.37)	2,735,549.30
Other Financing Sources (Uses)				
Transfers In	3,870,798.15		3,870,798.15	3,870,798.15
Proceeds from Sale of Capital Assets		88,973.03	88,973.03	
Insurance Loss Recoveries	28,501.00	115,315.26	1,021,485.90	906,170.64
Transfers Out		(5,274.73)		5,274.73
Total Other Financing Sources (Uses)	3,899,299.15	199,013.56	4,981,257.08	4,782,243.52
Net Change in Fund Balance	452,875.24	(3,906,087.11)	3,611,705.71	7,517,792.82
Fund Balance, July 1, 2005	14,519,697.64	14,519,697.64	14,519,697.64	
Fund Balance, June 30, 2006	\$ 14,972,572.88	\$ 10,613,610.53	\$ 18,131,403.35	\$ 7,517,792.82

FEDERAL REPORTS AND SCHEDULES

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the St. Lucie County District School Board as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon included under the heading ***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***. Our report on the basic financial statements was modified to include a reference to other auditors. Our audit did not extend to the school and activity funds, commonly called the school internal funds. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit, as described in our report on the St. Lucie County District School Boards 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, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the District's internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the

assertions of management in the financial statements. Reportable conditions are described in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions referred to above is a material weakness.

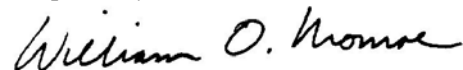
Compliance and Other Matters

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

We noted certain additional matters which are discussed in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



William O. Monroe, CPA
February 13, 2007



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB *CIRCULAR A-133***

Compliance

We have audited the District's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2006. The District's major Federal programs are identified in the ***SUMMARY OF AUDIT RESULTS*** section of the accompanying ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS***. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006.

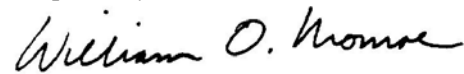
Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*.

Our consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



William O. Monroe, CPA
February 13, 2007

**ST LUCIE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006**

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:				
Florida Department of Agriculture and Consumer Services:				
Food Donation	10.550 (2)	None	\$ 604,120.42	\$
Florida Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	321	1,897,847.68	
National School Lunch Program	10.555	300	6,398,060.00	
Total Child Nutrition Cluster			<u>8,295,907.68</u>	
Total United States Department of Agriculture			<u>8,900,028.10</u>	
United States Department of Education:				
Direct:				
Impact Aid	84.041	N/A	16,310.21	
Fund for the Improvement of Education	84.215	N/A	157,060.71	
Total Direct			<u>173,370.92</u>	
Indirect:				
Florida Department of Education:				
Special Education Cluster:				
Special Education - Grants to States	84.027	262,263	7,206,108.08	44,308.59
Special Education - Preschool Grants	84.173	266, 267	313,410.54	
Total Special Education Cluster			<u>7,519,518.62</u>	<u>44,308.59</u>
Title I Grants to Local Educational Agencies	84.010	212	7,248,747.48	
Migrant Education - State Grant Program	84.011	217	669,677.18	
Vocational Education - Basic Grants to States	84.048	151	386,344.26	
Safe and Drug Free Schools and Communities - State Grants	84.186	103	221,590.84	
Twenty-First Century Community Learning Centers	84.287	244	1,033,542.77	
State Grants for Innovative Programs	84.298	113	117,144.30	
Education Technology State Grants	84.318	121	143,945.30	
Advanced Placement Program	84.330	160	6,518.38	
Reading First State Grants	84.357	211	1,300,755.40	
Voluntary Public School Choice	84.361	299	291,373.17	
English Language Acquisition Grants	84.365	102	396,197.81	
Improving Teacher Quality State Grants	84.367	224	1,648,338.43	
Hurricane Education Recovery	84.938	None	51,957.86	
Indian River Community College:				
Tech-Prep Education	84.243	None	23,968.74	
Washington County District School Board:				
Reading First State Grants	84.357	None	581.16	
Total Indirect			<u>21,060,201.70</u>	<u>44,308.59</u>
Total United States Department of Education			<u>21,233,572.62</u>	<u>44,308.59</u>
Corporation for National and Community Service:				
Direct:				
Retired and Senior Volunteer Program	94.002	N/A	38,925.09	
United States Department of Homeland Security:				
Indirect:				
Florida Department of Community Affairs:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	None	23,457,863.53	
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	238,180.49	
Total Expenditures of Federal Awards			<u>\$ 53,868,569.83</u>	<u>\$ 44,308.59</u>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2005-2006 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance - Food Donation. Represents the amount of donated food used during the 2005-2006 fiscal year. Commodities are valued at fair value as determined at the time of donation.

**ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

SUMMARY OF AUDIT RESULTS

As required by United States Office of Management and Budget *Circular A-133*, Section __.505, the following is a summary of the results of the audit of the St. Lucie County District School Board for the fiscal year ended June 30, 2006:

- Except for the exclusion of the school internal funds from the scope of the audit, there was no modification to the opinion on the financial statements.
- Certain matters involving the internal control and its operation were considered to be reportable conditions, though none of the reportable conditions was considered a material weakness.
- No noncompliance was disclosed which is material to the financial statements.
- No reportable conditions in internal control over major Federal programs were disclosed.
- An unqualified opinion was issued on major program compliance.
- No audit findings on Federal programs were reported.
- Major Federal programs included: Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education – Preschool Grants (CFDA No. 84.173)]; Improving Teacher Quality State Grants (CFDA No. 84.367); and Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036).
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$1,616,057.
- The low risk entity threshold was applied.

FINDINGS AND RECOMMENDATIONS

There were no audit findings on Federal programs required to be reported under OMB *Circular A-133*, Section __.510.

*ST. LUCIE COUNTY
DISTRICT SCHOOL BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2006*

Listed below is the District's summary of the status of prior audit findings on Federal programs:

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
Ernst & Young LLP		No prior Federal audit findings.		

MANAGEMENT RESPONSE



Excellence in Education

The School Board of St. Lucie County4204 Okeechobee Road
Fort Pierce, Florida 34947 • (772) 429-3600**Board Members**Dr. John Carvelli, Chairman
Carol A. Hilson, Vice Chairman
Kathryn Hensley
Troy Ingersoll
Dr. Judi Miller**Superintendent**

Michael J. Lannon

March 13, 2007

William O. Monroe
Auditor General
Room 412C
Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Monroe:

We have reviewed the preliminary and tentative audit findings and recommendations which may be included in a report on the financial, operational, and Federal audit of the St. Lucie County District School Board for the fiscal year ended June 30, 2006.

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

Finding #1: Electronic Funds Transfer. Our procedures for electronic funds transfer are unchanged from the prior Auditor General audit, and they comply with the requirements set forth in Florida Statutes. Additionally, our procedures do require that our bank confirm any outgoing wire with an individual other than the one who authorized the wire. We have submitted an updated list of individuals authorized to perform wire transfers to our bank. We are also in the process of updating our wire transfer agreement and procedures with our bank to strengthen controls.

Finding #2: Journal Entry Posting and Approval. As noted in your finding, all of the journal entries were appropriate and adequately supported. We will strengthen our procedures to ensure timely posting of all journal entries and ensure that there is evidence of supervisory approval.

Finding #3: Tangible Personal Property – Reconciliation of Control Accounts. We will strengthen our procedures over our fixed asset accounting process to provide for quarterly reconciliation of the fixed asset records and quarterly reporting of surplus property to the

(continued)



ACCREDITED SYSTEM-WIDE BY THE SOUTHERN ASSOCIATION OF COLLEGES AND SCHOOLS

The School Board of St. Lucie County is an Equal Opportunity Agency

MANAGEMENT RESPONSE (CONTINUED)



William O. Monroe

Page 2

Board. We will include in our records more detailed information on future asset deletions. The motor vehicles submitted to the Board more than once for deletion was simply the result of human error and we believe our revised procedures will help prevent such errors in the future.

Finding #4: Bid Support. For the purchase of musical instruments referenced in the report, we did use a bid from another school district, and we did attempt to confirm, for each item, the catalog price. This confirmation was verbal, however, and we did not have written documentation. In the future, so that we may independently verify and document compliance with bid pricing, we will issue our own bids and require vendors to provide us with catalogs for our records.

We followed our purchasing guidelines for the audio equipment referenced in the report. The amount of the audio equipment purchase required only telephone quotes from competing firms, which we obtained.

Finding #5: Claims Testing. Our health insurance third-party administrator has had its internal controls reviewed by an independent firm. However, to further strengthen our assurance that claims paid are correct, we will hire a contractor to perform testing of individual claims.

Finding #6: Fingerprinting and Background Checks. We will further strengthen and enhance our procedures in this area by informing contractors of their responsibility to be fingerprinted and by ensuring that the ESE Department administrator notifies the Personnel that a new contractor is being approved for work. The Personnel Department will notify the ESE Department when the individual's prints have been cleared and they are able to begin services to the district. No ESE contracted personnel shall begin services until clearance is provided through the Personnel Department.

Finding #7: Performance-Pay Plan. We respectfully disagree with the Auditor General's interpretation of the Performance Pay statutes. The district did implement a Performance Pay plan that was submitted to and approved by the Commissioner of Education. Additionally, the new Special Teachers are Rewarded ("STAR") legislation has required us to draft a new performance pay plan, which meets all the provisions of the statute and proviso language, and has been approved by the Commissioner of Education.

Finding #8: Annual Facility Safety Inspections. We will review the list of safety recommendations, prioritize them, and correct them. We will also review our procedures to ensure that safety and maintenance needs are addressed in a timely manner.

(continued)

MANAGEMENT RESPONSE (CONTINUED)

William O. Monroe
Page 3

Finding #9: Preparation of Board Meeting Minutes. As noted in the report, the audit disclosed that Board minutes were generally presented to the Board for approval in a timely manner. We will continue to strengthen our procedures to ensure that minutes are placed in the official record book in a timely manner.

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

Sincerely,



Michael Lannon
Superintendent

ML/tch

Cc: Tim Barger
Camille Hooper
Sue Ranew
Alan Gilbert
Allen Lee
Jim Smith
Chris Harrison