

ST. JOHNS COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2009



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Beverly Slough	1
Thomas L. Allen, Jr., Vice Chair to 11-17-08, Chair from 11-18-08	2
William P. Mignon, Sr., Vice Chair from 11-18-08	3
William R. Fehling	4
Carla W. Wright, Chair to 11-17-08	5

Dr. Joseph G. Joyner, Superintendent

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

The audit team leader was Dennis W. Gay, CPA, and the audit was supervised by John P. Duffy, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the District's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

We noted a certain matter involving the District's internal control over financial reporting and its operation that we consider to be a significant deficiency, as summarized below. However, this significant deficiency is not considered to be a material weakness.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

SIGNIFICANT DEFICIENCY

Finding No. 1: Enhancements are needed in District procedures for reporting information on the financial statements.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster, Title I Grants to Local Educational Agencies, Special Education Cluster, and Career and Technical Education programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested. However, we did note a compliance and internal control finding as summarized below.

Federal Awards Finding No. 1: The District paid \$20,721.44 from Career and Technical Education program funds for certain equipment items, without prior approval by the grantor, resulting in questioned costs.

Audit Objectives and Scope

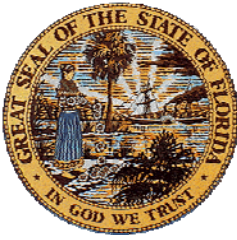
Our audit objectives were to determine whether the St. Johns County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;
- Established internal controls that promote and encourage: 1) compliance with applicable laws, rules, regulations, contracts, and grant agreements; 2) the economic and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in our report No. 2009-193.

The scope of this audit included an examination of the District's basic financial statements and the Schedule of Expenditures of Federal Awards as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the District's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements and Federal awards. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

Audit Methodology

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



DAVID W. MARTIN, CPA
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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 FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the St. Johns County District School Board, as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the school internal funds, which represent 6 percent of the assets and 21 percent of the liabilities of the aggregate remaining fund information. Additionally, we did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the school internal funds and the aggregate discretely presented component units, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for the St. Johns County District School Board as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 10) and the **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 54 through 56) are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by the United States Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,



David W. Martin, CPA
March 24, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the St. Johns County District School Board has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues; (b) provide an overview and analysis of the District's financial activities; (c) identify changes in the District's financial position; (d) identify material deviations from the approved budget; and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the District's financial statements and notes to financial statements found on pages 11 through 53.

FINANCIAL HIGHLIGHTS

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

- The District's assets exceeded its liabilities at June 30, 2009, by \$457,646,240.74 (net assets). After deducting net assets invested in capital assets (net of related debt) and restricted net assets, the District had unrestricted net assets of \$8,711,520.41.
- In total, net assets increased \$26,385,628.51, which represents a 6 percent increase from the 2007-08 fiscal year.
- General revenues total \$258,511,659.36, or 86 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total \$41,955,254.10, or 14 percent.
- Expenses total \$274,081,284.95. Only \$41,955,254.10 of these expenses was offset by program specific revenues, with the remainder paid from general revenues. Total revenues exceeded total expenses by \$26,385,628.51.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, was \$36,728,182.21 at June 30, 2009, or 17 percent of total General Fund expenditures. The total fund balance of the General Fund was \$38,313,169.39, which represents an increase from the 2007-08 fiscal year of \$13,632,365.35.
- The District's capital asset-related long-term debt decreased by a net amount of \$13,540,313.55, or 8 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

In addition, the report presents certain required supplementary information, which includes management's discussion and analysis and other data.

Government-wide Financial Statements

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

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

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

- Governmental activities – 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 units – The District presents aggregate financial information for three separate legal entities in this report: the ABLE School, Inc., charter school; the First Coast Technical Institute, Inc., doing business as First Coast Technical College, charter technical career center; and the St. Johns County Education Foundation, Inc. Although legally separate organizations, the component units are included in this report because they meet the criteria for inclusion provided by generally accepted accounting principles. Financial information for these component units is reported separately from the financial information presented for the primary government.

The District has another component unit, the St. Johns County School Board Leasing Corporation (Corporation) that is also a legally separate entity. The Corporation was formed to facilitate financing for the acquisition of facilities and equipment for the District, as further discussed in Note 6. Due to the substantive economic relationship between the District and the Corporation, the Corporation has been included as an integral part of the primary government.

Over a period of time, changes in net assets are an indication of the improvement or deterioration of the District's financial condition. This information should be evaluated in conjunction with other relevant factors, such as changes in the District's property tax base, student enrollment, and the condition of the District's major capital assets.

Fund Financial Statements

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

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

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds are the General Fund, the Debt Service – Other Debt Service Fund, the Capital Projects – Local Capital Improvement 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 use the economic resources measurement focus and accrual basis of accounting. The District maintains internal service funds for its proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for its health and hospitalization self-insurance programs, which includes group medical, dental, and vision coverages, and its workers' compensation liability program. Because these services predominantly benefit governmental-type functions, the internal service funds have been included within governmental activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as certain escrowed moneys and the school and 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's fiduciary funds include agency funds to account for resources held for student activities and groups, and a private-purpose trust fund to account for resources received and used to construct an entrance road for the new Ponte Vedra High School.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Net Assets, End of Year	
	Governmental Activities	
	6-30-09	6-30-08
Current and Other Assets	\$ 172,798,034.10	\$ 169,401,362.02
Capital Assets	505,119,614.90	506,306,690.30
Total Assets	677,917,649.00	675,708,052.32
Long-Term Liabilities	194,053,363.46	206,643,575.94
Other Liabilities	26,218,044.80	37,803,864.15
Total Liabilities	220,271,408.26	244,447,440.09
Net Assets:		
Invested in Capital Assets -		
Net of Related Debt	356,650,107.04	344,070,303.64
Restricted	92,284,613.29	89,793,876.55
Unrestricted (Deficit)	8,711,520.41	(2,603,567.96)
Total Net Assets	\$ 457,646,240.74	\$ 431,260,612.23

The largest portion of the District's net assets (78 percent) reflects its investment in capital assets (e.g., land, buildings and fixed equipment, furniture, fixtures, and equipment), less any related outstanding debt. 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 (20 percent) represents resources that are subject to external restrictions on how they may be used. Unrestricted net assets (2 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

The District's net assets increased by \$26,385,628.51 during the 2008-09 fiscal year. The increase represents the degree to which ongoing revenues have exceeded ongoing expenses. The key elements of the changes in the District's net assets for the fiscal years ended June 30, 2009, and June 30, 2008, are as follows:

Operating Results for the Fiscal Year Ended		
	Governmental Activities	
	6-30-09	6-30-08
Program Revenues:		
Charges for Services	\$ 17,520,238.70	\$ 17,513,636.29
Operating Grants and Contributions	10,156,000.07	9,921,993.68
Capital Grants and Contributions	14,279,015.33	44,772,568.44
General Revenues:		
Property Taxes, Levied for Operational Purposes	135,767,674.33	130,709,362.60
Property Taxes, Levied for Debt Service	3,801,388.25	3,734,352.92
Property Taxes, Levied for Capital Projects	41,547,372.04	47,005,624.67
Grants and Contributions Not Restricted to Specific Programs	69,913,393.13	79,285,801.42
Unrestricted Investment Earnings	2,944,537.21	5,686,762.99
Miscellaneous	4,537,294.40	3,178,166.42
Total Revenues	300,466,913.46	341,808,269.43
Functions/Program Expenses:		
Instruction	130,868,119.65	142,172,487.09
Pupil Personnel Services	13,331,579.17	14,264,865.48
Instructional Media Services	4,326,422.47	4,889,540.32
Instruction and Curriculum Development Services	6,256,992.01	6,958,471.69
Instructional Staff Training Services	1,116,231.72	2,938,627.96
Instruction Related Technology	4,293,504.41	4,415,999.82
Board of Education	907,914.75	748,707.42
General Administration	709,971.12	683,478.30
School Administration	14,039,343.71	15,365,892.23
Facilities Acquisition and Construction	15,128,959.36	15,239,266.58
Fiscal Services	1,561,966.46	1,741,933.14
Food Services	9,745,405.95	9,761,921.40
Central Services	9,171,156.85	9,238,845.91
Pupil Transportation Services	11,006,461.75	12,432,169.85
Operation of Plant	19,089,150.40	19,986,509.82
Maintenance of Plant	7,385,181.07	7,641,626.64
Administrative Technology Services	615,646.14	711,974.83
Community Services	2,818,592.31	3,289,408.25
Interest on Long-Term Debt	6,975,766.88	7,367,001.91
Unallocated Depreciation Expense	14,732,918.77	14,985,570.52
Total Functions/Program Expenses	274,081,284.95	294,834,299.16
Increase in Net Assets	\$ 26,385,628.51	\$ 46,973,970.27

The majority of the District's revenues for current operations are provided through the Florida Education Finance Program (FEFP), State categorical educational programs, and local property taxes. These revenues are included in the general revenues, which provide approximately 86 percent of total revenues, whereas program revenues provide approximately 14 percent. The majority of program revenues (89 percent) are in the facilities acquisition and construction, food services, central services, and pupil transportation services activities.

The FEFP funding formula is used to allocate State revenue sources for current District operations and, utilizing student enrollment data, is designed to maintain equity in funding across all Florida school districts, considering funding ability based on taxable local property values. Because of a decrease in the per student funding allocation as a result of State budget cuts, State FEFP funding, reported in general revenues - grants and contributions not restricted to specific programs in general revenues, decreased by \$7,870,051 as compared to the prior fiscal year. Property taxes

levied for operational purposes increased by \$5,058,311.73 and property taxes levied for capital projects decreased by \$5,458,252.63, mainly because of changes in tax millage rates and related amounts levied. Additionally, State capital appropriations for school construction, reported as program revenues - capital grants and contributions, decreased by \$30,751,779 as compared to the prior year.

Instruction activities represent the majority of the District's expenses, totaling approximately 48 percent of total governmental expenses in both the 2007-08 and 2008-09 fiscal years. Overall, total expenses decreased \$20,753,014.21, or 7 percent, as compared to total revenues which decreased \$41,341,355.97, or 12 percent. The decrease in total expenses is mainly attributable to decreases in the number of employees and related salary and benefit costs.

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 \$7,966,577, while the total fund balance is \$38,313,169.39. The unreserved, undesignated fund balance represents 4 percent of total General Fund expenditures, while the total fund balance represents 18 percent of such expenditures. The unreserved, undesignated fund balance decreased by \$417,424.27, while the total fund balance increased by \$13,632,365.35 during the fiscal year. Unreserved, designated fund balance increased by \$14,264,971.36, representing management's planned uses of available fund balance to offset budget cuts in the 2009-10 fiscal year, and the carryover of noncategorical program, school, department, and other activity budget moneys.

Key factors in these changes are as follows:

- Total revenues decreased by \$3,555,345.22, or 2 percent. The overall decrease was mainly attributable to a decrease in State FEFP funding of \$7,870,051 along with an increase in local property tax revenue of \$5,058,311.73.
- Total expenditures decreased by \$7,944,660.42, or 4 percent, due mainly to decreased salary and benefit costs.
- Total revenues exceeded total expenditures by \$261,118.98, and net other financing sources, mainly from transfers in from the Capital Projects – Local Capital Improvement Fund, totaled \$13,371,246.37.

The Debt Service – Other Debt Service Fund is used to account for financial resources used to pay debt service principal, interest, and related costs for the Certificates of Participation. For the 2008-09 fiscal year, essentially all available resources were used for current debt related expenditures and, at June 30, 2009, the fund balance was \$21.98.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of \$47,481,750.80, which is restricted for the acquisition, construction, and maintenance of capital assets. Of the total fund balance, \$3,953,288.26 has been encumbered for specific projects. The fund balance increased by \$11,276,843.69 in the current fiscal year. Expenditures of \$12,655,534.44 were primarily for motor vehicle and equipment purchases, and various maintenance, remodeling, and renovation projects. Transfers out of \$28,060,642.13 were mainly to fund educational plant maintenance and debt service expenditures in other funds.

The Capital Projects – Other Capital Projects Fund is mainly used to account for the financial resources received from local impact fees, certificates of participation proceeds, and other miscellaneous sources. The total fund balance decreased by \$5,977,837.16 in the current fiscal year to \$24,655,772.44 at June 30, 2009. The decrease in fund balance is mainly from the expenditure of proceeds from the \$145,000,000 Certificates of Participation, Series 2006, for

completion of two new high schools. Transfers out of \$9,570,486.09 were to utilize certificates of participation proceeds to reimburse debt service interest payments previously paid from property tax revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the 2008-09 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of \$12,877,791.89. At the same time, final appropriations increased by \$20,399,729.10 from the original budgeted amount. Budget revisions were necessary to recognize revenues and expenditures related to the District's charter technical career center and certain day care and extended day care programs, to increase instructional budget amounts, and to adjust planned expenditures based on actual resource needs.

Actual revenues are in line with the final budgeted amounts. Actual expenditures are \$20,888,873.93 less than anticipated, mainly because instruction, operation of plant, community services, day care and extended day care programs, and salary and benefit expenditures relating to these functions and programs were less than planned. Also, positive budget balances include amounts designated for budget cuts and increased fuel costs in the 2009-10 fiscal year, carryover of noncategorical program, school, department, and other activity budgets.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2009, is \$505,119,614.90 (net of accumulated depreciation). This investment in capital assets includes land; 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 completion of two new high schools and a K-8 school.

Additional information on the District's capital assets can be found in Notes 4 and 17 to the financial statements.

Long-Term Debt

At June 30, 2009, the District has total long-term debt outstanding of \$151,137,543.48 related to the construction and acquisition of capital assets. This amount is comprised of \$357,543.48 of obligation under capital lease; \$138,795,000 of certificates of participation; \$8,155,000 of State school bonds; and \$3,830,000 of District general obligation refunding bonds. During the fiscal year, the District's long-term debt decreased a net amount of \$13,540,313.55, or 8 percent.

Additional information on the District's long-term debt can be found in Notes 5 through 9 to the financial statements.

FIRST COAST TECHNICAL COLLEGE, MAJOR COMPONENT UNIT

The District considers First Coast Technical Institute, Inc., d/b/a First Coast Technical College (FCTC), to be a major component unit based on its significance relative to the total discretely presented component units, and based upon its nature and significance to the District. FCTC is a charter technical career center established pursuant to Section 1002.34, Florida Statutes, and is primarily responsible for operating the District's secondary education and workforce development programs. FCTC was primarily funded through the District's \$6,173,064 workforce development program appropriation, as well as student fees, State and Federal grants, and various other sources.

FCTC's financial data, as reported in Note 20 to the financial statements, and included in the component units columns in the accompanying financial statements, was derived from the audited financial statements for the fiscal year ended June 30, 2009, which are filed in the District's administrative offices.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the St. Johns 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. Johns County District School Board, 40 Orange Street, St. Augustine, Florida 32084.

BASIC FINANCIAL STATEMENTS

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

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash	\$ 142,925,452.99	\$ 2,052,310.00
Restricted Investments	12,446,457.61	
Investments	221,369.83	40,177.00
Accounts Receivable	584,478.11	235,472.00
Due from Primary Government		262,846.00
Due from Component Unit	102.00	
Due from Other Agencies	15,959,430.50	
Due from Excess Insurance Carrier	215,113.69	
Prepaid Items		1,000.00
Pledges Receivable		82,726.00
Inventories	445,629.37	121,286.00
Capital Assets:		
Nondepreciable Capital Assets	32,479,890.83	
Depreciable Capital Assets, Net	472,639,724.07	2,633,179.00
TOTAL ASSETS	\$ 677,917,649.00	\$ 5,428,996.00
LIABILITIES		
Salaries and Benefits Payable	\$ 2,714,839.59	\$ 20,729.00
Payroll Deductions and Withholdings	54.84	
Accounts Payable	6,382,698.88	116,200.00
Matured Certificates of Participation Payable	9,245,000.00	
Matured Interest Payable	3,201,435.63	
Construction Contracts Payable	830,936.91	
Construction Contracts Payable - Retainage	479,331.20	
Due to Primary Government		102.00
Due to Component Units	262,846.00	
Due to Other Agencies	27,419.81	
Deposits Payable	102,366.94	
Deferred Revenue		254,540.00
Estimated Insurance Claims Payable	2,971,115.00	
Long-Term Liabilities:		
Portion Due Within One Year	16,203,778.93	78,107.00
Portion Due After One Year	177,849,584.53	1,036,440.00
Total Liabilities	220,271,408.26	1,506,118.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	356,650,107.04	2,627,538.00
Restricted for:		
State Categorical Programs	752,790.44	
Debt Service	4,144,375.58	
Capital Projects	87,387,447.27	
Other Purposes		313,810.00
Unrestricted	8,711,520.41	981,530.00
Total Net Assets	457,646,240.74	3,922,878.00
TOTAL LIABILITIES AND NET ASSETS	\$ 677,917,649.00	\$ 5,428,996.00

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

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

Functions/Programs	Expenses		Program Revenues					
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Primary Government								
Governmental Activities:								
Instruction	\$	130,868,119.65	\$	667,159.01	\$			
Pupil Personnel Services		13,331,579.17						
Instructional Media Services		4,326,422.47						
Instruction and Curriculum Development Services		6,256,992.01						
Instructional Staff Training Services		1,116,231.72						
Instruction Related Technology		4,293,504.41						
Board of Education		907,914.75						
General Administration		709,971.12						
School Administration		14,039,343.71						
Facilities Acquisition and Construction		15,128,959.36				13,361,938.94		
Fiscal Services		1,561,966.46						
Food Services		9,745,405.95	6,829,888.14	2,825,245.07				
Central Services		9,171,156.85	6,589,282.86					
Pupil Transportation Services		11,006,461.75	584,952.17	7,330,755.00				
Operation of Plant		19,089,150.40						
Maintenance of Plant		7,385,181.07						
Administrative Technology Services		615,646.14						
Community Services		2,818,592.31	2,848,956.52					
Interest on Long-Term Debt		6,975,766.88				917,076.39		
Unallocated Depreciation Expense		14,732,918.77						
Total Primary Government	\$	274,081,284.95	\$	17,520,238.70	\$	10,156,000.07	\$	14,279,015.33
Component Units								
First Coast Technical College	\$	10,660,655.00	\$	2,267,366.00	\$	1,182,882.00	\$	600,000.00
Nonmajor Component Units		1,353,640.00		58,533.00				
Total Component Units	\$	12,014,295.00	\$	2,325,899.00	\$	1,182,882.00	\$	600,000.00

General Revenues:

Taxes:

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

Total General Revenues

Change in Net Assets**Net Assets - Beginning**

Adjustment to Restate Beginning Net Assets

Net Assets - Beginning, as Restated

Net Assets - Ending

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government Governmental Activities		Component Units
\$	(130,200,960.64)	\$
	(13,331,579.17)	
	(4,326,422.47)	
	(6,256,992.01)	
	(1,116,231.72)	
	(4,293,504.41)	
	(907,914.75)	
	(709,971.12)	
	(14,039,343.71)	
	(1,767,020.42)	
	(1,561,966.46)	
	(90,272.74)	
	(2,581,873.99)	
	(3,090,754.58)	
	(19,089,150.40)	
	(7,385,181.07)	
	(615,646.14)	
	30,364.21	
	(6,058,690.49)	
	(14,732,918.77)	
	(232,126,030.85)	
		(6,610,407.00)
		(1,295,107.00)
		(7,905,514.00)
	135,767,674.33	
	3,801,388.25	
	41,547,372.04	
	69,913,393.13	8,791,115.00
	2,944,537.21	17,605.00
	4,537,294.40	
	258,511,659.36	8,808,720.00
	26,385,628.51	903,206.00
	431,260,612.23	3,007,508.00
		12,164.00
	431,260,612.23	3,019,672.00
\$	457,646,240.74	\$ 3,922,878.00

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

	General Fund	Debt Service - Other Debt Service Fund
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ 41,624,294.74	\$
Restricted Investments		12,446,457.61
Investments		
Accounts Receivable	152,903.84	
Due from Other Funds	825,082.20	
Due from Component Units	102.00	
Due from Other Agencies	169,717.06	
Inventories	320,938.98	
	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 43,093,038.82</u></u>	<u><u>\$ 12,446,457.61</u></u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Salaries and Benefits Payable	\$ 2,575,896.51	\$
Payroll Deductions and Withholdings	54.84	
Accounts Payable	1,972,734.65	
Matured Certificates of Participation Payable		9,245,000.00
Matured Interest Payable		3,201,435.63
Construction Contracts Payable		
Construction Contracts Payable - Retainage		
Due to Component Units	193,141.00	
Due to Other Agencies	56.00	
Due to Other Funds	37,986.43	
Deposits Payable		
	<u> </u>	<u> </u>
Total Liabilities	<u><u>4,779,869.43</u></u>	<u><u>12,446,435.63</u></u>
Fund Balances:		
Reserved for:		
State Categorical Programs	752,790.44	
Encumbrances	511,257.76	
Inventories	320,938.98	
Debt Service		21.98
Unreserved:		
Designated, Reported in General Fund:		
Financial Contingencies	24,635,790.74	
Grants and Activities	4,125,814.47	
Undesignated, Reported in:		
General Fund	7,966,577.00	
Special Revenue Funds		
Capital Projects Funds		
	<u> </u>	<u> </u>
Total Fund Balances	<u><u>38,313,169.39</u></u>	<u><u>21.98</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 43,093,038.82</u></u>	<u><u>\$ 12,446,457.61</u></u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Capital Projects Fund	Other Funds	Total Governmental Funds
\$ 47,807,989.86	\$ 24,291,919.56	\$ 8,917,071.41	\$ 122,641,275.57
			12,446,457.61
		221,369.83	221,369.83
2,852.23		21,507.10	177,263.17
			825,082.20
			102.00
	445,820.08	15,343,893.36	15,959,430.50
		124,690.39	445,629.37
<u>\$ 47,810,842.09</u>	<u>\$ 24,737,739.64</u>	<u>\$ 24,628,532.09</u>	<u>\$ 152,716,610.25</u>
\$	\$	\$ 138,943.08	\$ 2,714,839.59
			54.84
		81,504.76	2,054,239.41
			9,245,000.00
			3,201,435.63
329,091.29	81,967.20	419,878.42	830,936.91
		479,331.20	479,331.20
		69,705.00	262,846.00
		27,363.81	27,419.81
		659,584.91	697,571.34
		102,366.94	102,366.94
<u>329,091.29</u>	<u>81,967.20</u>	<u>1,978,678.12</u>	<u>19,616,041.67</u>
3,953,288.26	610,975.57	3,850,352.19	752,790.44
		124,690.39	8,925,873.78
		4,144,353.60	445,629.37
			4,144,375.58
			24,635,790.74
			4,125,814.47
			7,966,577.00
		637,415.25	637,415.25
43,528,462.54	24,044,796.87	13,893,042.54	81,466,301.95
<u>47,481,750.80</u>	<u>24,655,772.44</u>	<u>22,649,853.97</u>	<u>133,100,568.58</u>
<u>\$ 47,810,842.09</u>	<u>\$ 24,737,739.64</u>	<u>\$ 24,628,532.09</u>	<u>\$ 152,716,610.25</u>

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

Total Fund Balances - Governmental Funds \$ 133,100,568.58

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 governmental funds. 505,119,614.90

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. 10,990,668.41

Certain revenues, representing reimbursement of construction costs, are accrued as accounts receivable in the government-wide statements because they are earned, but are not accrued in the governmental fund statements because they do not provide current financial resources and are not available to liquidate liabilities in the governmental funds. 198,782.31

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Obligation Under Capital Lease	\$	357,543.48	
Bonds Payable		11,985,000.00	
Certificates of Participation Payable		138,795,000.00	
Postemployment Healthcare Benefits Payable		19,964,982.00	
Compensated Absences Payable		20,660,867.98	
		(191,763,393.46)	

Total Net Assets - Governmental Activities \$ 457,646,240.74

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

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

	General Fund	Debt Service - Other Debt Service Fund
Revenues		
Intergovernmental:		
Federal Direct	\$ 358,815.66	\$
Federal Through State and Local State	66,848,834.78	
Local:		
Property Taxes	135,767,674.33	
Impact Fees		
Charges for Services - Food Service		
Miscellaneous	8,573,773.88	7,957.74
Total Revenues	<u>211,549,098.65</u>	<u>7,957.74</u>
Expenditures		
Current - Education:		
Instruction	125,188,052.86	
Pupil Personnel Services	11,705,049.14	
Instructional Media Services	4,281,329.92	
Instruction and Curriculum Development Services	3,370,237.01	
Instructional Staff Training Services	536,614.64	
Instruction Related Technology	4,260,340.36	
Board of Education	904,656.10	
General Administration	347,902.30	
School Administration	13,881,588.04	
Facilities Acquisition and Construction	2,974,321.53	
Fiscal Services	1,545,941.99	
Food Services		
Central Services	2,512,358.46	
Pupil Transportation Services	9,673,220.72	
Operation of Plant	18,995,027.00	
Maintenance of Plant	7,307,805.31	
Administrative Technology Services	611,482.35	
Community Services	2,790,541.71	
Fixed Capital Outlay:		
Facilities Acquisition and Construction	24,108.00	
Other Capital Outlay	377,402.23	
Debt Service:		
Principal		9,245,000.00
Interest and Fiscal Charges		6,410,871.26
Total Expenditures	<u>211,287,979.67</u>	<u>15,655,871.26</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>261,118.98</u>	<u>(15,647,913.52)</u>
Other Financing Sources (Uses)		
Transfers In	13,530,521.93	15,640,294.13
Proceeds from Sale of Capital Assets	1,641.39	
Insurance Loss Recoveries	123,008.60	
Transfers Out	(283,925.55)	(59,488.96)
Total Other Financing Sources (Uses)	<u>13,371,246.37</u>	<u>15,580,805.17</u>
Net Change in Fund Balances	13,632,365.35	(67,108.35)
Fund Balances, Beginning	24,680,804.04	67,130.33
Fund Balances, Ending	<u>\$ 38,313,169.39</u>	<u>\$ 21.98</u>

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

Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Capital Projects Fund	Other Funds	Total Governmental Funds
\$	\$	\$	\$
		916,825.23	1,275,640.89
		11,826,076.12	11,826,076.12
	71,623.64	9,994,533.54	76,914,991.96
41,547,372.04		3,801,388.25	181,116,434.62
	3,647,899.62		3,647,899.62
		6,829,888.14	6,829,888.14
885,162.13	1,304,683.62	319,496.44	11,091,073.81
42,432,534.17	5,024,206.88	33,688,207.72	292,702,005.16
		4,387,675.09	129,575,727.95
		1,482,800.99	13,187,850.13
			4,281,329.92
		2,817,338.76	6,187,575.77
		571,477.34	1,108,091.98
			4,260,340.36
			904,656.10
		358,419.14	706,321.44
			13,881,588.04
8,563,550.77	852,787.86	2,725,564.70	15,116,224.86
			1,545,941.99
		9,693,286.22	9,693,286.22
		44,659.10	2,557,017.56
		131,995.55	9,805,216.27
		618.39	18,995,645.39
		17,957.96	7,325,763.27
			611,482.35
			2,790,541.71
4,020,079.23	638,259.05	8,927,869.10	13,610,315.38
		192,783.29	570,185.52
65,313.55		4,230,000.00	13,540,313.55
16,590.89		548,304.73	6,975,766.88
12,665,534.44	1,491,046.91	36,130,750.36	277,231,182.64
29,766,999.73	3,533,159.97	(2,442,542.64)	15,470,822.52
9,570,486.09	59,488.96	283,925.55	39,084,716.66
			1,641.39
			123,008.60
(28,060,642.13)	(9,570,486.09)	(1,110,173.93)	(39,084,716.66)
(18,490,156.04)	(9,510,997.13)	(826,248.38)	124,649.99
11,276,843.69	(5,977,837.16)	(3,268,791.02)	15,595,472.51
36,204,907.11	30,633,609.60	25,918,644.99	117,505,096.07
\$ 47,481,750.80	\$ 24,655,772.44	\$ 22,649,853.97	\$ 133,100,568.58

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Net Change in Fund Balances - Governmental Funds **\$ 15,595,472.51**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense in the current period:

Capital Outlay Expenditures	\$ 14,665,518.53	
Depreciation Expense	<u>(15,852,593.93)</u>	
		(1,187,075.40)

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

Certificates of Participation Payable	\$ 9,245,000.00	
Bonds Payable	4,230,000.00	
Capital Lease Payable	<u>65,313.55</u>	
		13,540,313.55

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 vacation and sick leave used in excess of the amount earned in the current period. 4,934,743.93

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 198,782.31

Postemployment healthcare benefits costs are recorded in the statement of activities under the full accrual basis of accounting, but are not recorded in the governmental funds until paid. This is the net increase in the postemployment healthcare benefits liability for the current fiscal year. (6,305,875.00)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net expense of internal service funds is reported with governmental activities. (390,733.39)

Change in Net Assets - Governmental Activities **\$ 26,385,628.51**

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

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

		Governmental Activities - Internal Service Funds
ASSETS		
Current Assets:		
Cash	\$	20,284,177.42
Accounts Receivable		76,617.05
Due From Other Funds		4,304.72
Due From Excess Insurance Carrier		215,113.69
TOTAL ASSETS	\$	20,580,212.88
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$	4,328,459.47
Estimated Insurance Claims Payable		3,630,863.50
Total Current Liabilities		7,959,322.97
Noncurrent Liabilities:		
Estimated Insurance Claims Payable		1,630,221.50
TOTAL LIABILITIES		9,589,544.47
NET ASSETS		
Unrestricted		10,990,668.41
TOTAL LIABILITIES AND NET ASSETS	\$	20,580,212.88

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

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Insurance Premiums	\$ 30,313,246.05
OPERATING EXPENSES	
Insurance Claims	25,347,534.44
Excess Insurance Premiums	2,417,564.79
Employee Disability Purchased Insurance	207,769.96
Fees and Other	3,098,285.76
Total Operating Expenses	31,071,154.95
Operating Loss	(757,908.90)
NONOPERATING REVENUES	
Interest	367,175.51
Change in Net Assets	(390,733.39)
Total Net Assets - Beginning	11,381,401.80
Total Net Assets - Ending	\$ 10,990,668.41

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

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Board Funds and Participants	\$ 30,313,246.05
Cash Payments to Vendors for Goods and Services	(5,318,135.29)
Cash Payments for Insurance Claims	(25,720,597.44)
Net Cash Used by Operating Activities	<u>(725,486.68)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	367,175.51
Net Decrease in Cash	(358,311.17)
Cash, Beginning of Year	20,642,488.59
Cash, End of Year	<u><u>\$ 20,284,177.42</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	\$ (757,908.90)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Increase in Accounts Receivable	(59,574.93)
Increase in Due from Excess Insurance Carrier	(158,221.54)
Increase in Due from Other Funds	(11.50)
Increase in Accounts Payable	623,293.19
Decrease in Estimated Insurance Claims Payable	(373,063.00)
Total Adjustments	<u>32,422.22</u>
Net Cash Used by Operating Activities	<u><u>\$ (725,486.68)</u></u>

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

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
June 30, 2009**

	Private-Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash	\$ <u> </u>	\$ <u>3,085,272.00</u>
LIABILITIES		
Due to Other Funds	\$ <u> </u>	\$ <u>131,815.58</u>
Internal Accounts Payable		<u>2,953,456.42</u>
TOTAL LIABILITIES	\$ <u> </u>	\$ <u>3,085,272.00</u>
NET ASSETS	<u> </u>	
TOTAL LIABILITIES AND NET ASSETS	\$ <u> </u>	<u>0.00</u>

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

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2009**

	Private-Purpose Trust Fund
ADDITIONS	
Investment Earnings:	
Interest	\$ 3,812.28
DEDUCTIONS	
Facilities Acquisition and Construction	306,543.72
Change in Net Assets	(302,731.44)
Net Assets - Beginning	302,731.44
Net Assets - Ending	\$ 0.00

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The District School Board has direct responsibility for operation, control, and supervision of District schools and is considered a primary government for financial reporting. The St. Johns County School District is considered part of the Florida system of public education. The governing body of the school district is the St. Johns 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. Johns County.

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

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

- Blended Component Unit - The St. Johns County School Board Leasing Corporation (Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 6. Due to the substantive economic relationship between the St. Johns County District School Board and the Corporation, the financial activities of the Corporation are included in the accompanying basic financial statements. Separate financial statements for the Corporation are not published.
- Discretely Presented Component Units - The component unit columns in the government-wide financial statements include the financial data of the District's three component units as follows:

The St. Johns County Education Foundation, Inc. (Foundation), is a separate not-for-profit corporation organized and operated as a direct-support organization under Section 1001.453, Florida Statutes, to receive, hold, invest, and administer property and to make expenditures to and for the benefit of public prekindergarten through twelfth grade education in St. Johns County. The nature and significance of its relationship with the District requires that the Foundation be considered a component unit.

The ABLE School, Inc., a charter school established pursuant to Section 1002.33, Florida Statutes, and the First Coast Technical Institute, Inc., d/b/a First Coast Technical College, a charter technical career center established pursuant to Section 1002.34, Florida Statutes, are organized as separate not-for-profit corporations pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act. The charter school and the charter technical career center operate under charters approved by their sponsor, the St. Johns County District School Board. The charter school and the charter technical career center are considered to be component units of the District since they are fiscally dependent on the District to levy taxes for their support. The District considers First Coast Technical College to be a major component unit based on its significance relative to the total discretely presented component units and based on its nature and significance to the District.

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

The District also considered its charter school operated by The ARC of the St. Johns, Inc., for inclusion in its reporting entity; however, because The ARC of the St. Johns, Inc., is a component unit of a nongovernmental not-for-profit organization, it does not meet the criteria for inclusion as a District component unit. The charter school's financial statements were audited by an independent certified public accountant and are filed in the District's administrative offices.

➤ **Basis of Presentation**

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

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expense associated with the District's transportation department is allocated to the pupil transportation services function, while remaining depreciation expense is reported as unallocated.

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

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

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

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Debt Service – Other Debt Service Fund – to account for the accumulation of resources for, and the payment of, debt principal, interest, and related costs for the certificates of participation.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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- Capital Projects – Local Capital Improvement Fund – to account for the financial resources generated by the local capital improvement tax levy to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, and debt service payments on capital leases for relocatable school buildings.
- Capital Projects – Other Capital Projects Fund – to account mainly for the financial resources received from local impact fees, certificates of participation proceeds, and other miscellaneous sources to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

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

- Internal Service Funds – to account for the District's self-insured health and hospitalization programs, which include medical, dental, and vision plans, and the District's self-insured workers' compensation program.
- Private-Purpose Trust Fund – to account for resources received from Crosswater Community Church, Inc., and held in escrow for payment toward the cost of constructing a shared entrance road to the new Ponte Vedra High School. The fund was closed at June 30, 2009, upon completion of the entrance road.
- Agency Funds – to account for resources of the school internal funds, which are used to administer moneys collected at several schools in connection with school, student athletic, class, and club activities.

➤ **Basis of Accounting**

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 45 days 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, postemployment healthcare benefits, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Proprietary funds are accounted for as proprietary activities under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the

**ST. JOHNS COUNTY
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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 internal service funds are charges to the District and employees for health, dental, vision, and workers' compensation insurance premiums. The principal operating expenses include insurance claims, insurance premiums for excess insurance and employee disability purchased insurance coverage, and administrative expenses and fees. 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 ABLE School, Inc., and the First Coast Technical College are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

The St. Johns County Education Foundation, Inc., is accounted for under the not-for-profit basis of accounting and uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

➤ **Deposits and Investments**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows considers cash as those accounts used as demand deposit accounts.

Investments consist of amounts placed in State Board of Administration Debt Service accounts for investment of debt service moneys and those made locally. Investments made locally consist of amounts placed in a money market mutual fund under a trust agreement in connection with certificates of participation financing arrangements and are reported at fair value.

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

➤ **Restricted Investments**

Certain invested assets held by a trustee under a trust agreement, in the name of the District, in connection with certificates of participation financing arrangements are classified as restricted assets on the statement of net assets because they are set aside for repayment of maturing debt as required by applicable debt covenants. These assets are restricted for repayment of certificates of participation principal and interest, most of which is payable on July 1, 2009, and reported as current liabilities on the statement of net assets.

➤ **Inventories**

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at last invoice price, which approximates the first-in, first-out 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.

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

➤ **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 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.

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

<u>Description</u>	<u>Estimated Lives</u>
Improvements Other than Buildings	10 - 40 years
Buildings and Fixed Equipment	10 - 50 years
Furniture, Fixtures, and Equipment	3 - 15 years
Motor Vehicles	5 - 10 years
Property Under Capital Lease	10 years
Audio Visual Materials and Computer Software	5 years

Capital assets are defined by First Coast Technical College, a major component unit, as assets costing \$1,000 or more, with an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures, and Equipment	5 - 15 years
Motor Vehicles	5 years
Leasehold Improvements	10 - 30 years

Current fiscal 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.

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

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are accrued as liabilities to the extent that it is probable that the

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

benefits will result in termination payments. A liability for these amounts is reported in the governmental fund financial statements only if it has matured, such as for occurrences of employee resignations and retirements.

Changes in long-term liabilities for the current fiscal 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 is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department.

A schedule of revenue from State sources for the current fiscal 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. Johns County Property Appraiser, and property taxes are collected by the St. Johns County Tax Collector.

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

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

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

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. Johns 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.

➤ **Educational Impact Fees**

St. Johns County imposes an educational impact fee based on an ordinance adopted by the County Commission in 1987. This ordinance has been amended from time to time, most recently in March 2005, when Ordinance No. 2005-27 established, in part, revised rates to be collected. The fees can only be used to acquire, construct, expand, and equip the educational sites and educational capital facilities necessitated by new development and to pay for certain collection and legal defense costs. Because the educational impact fee is similar to a capital-type special assessment, it is reported as a program revenue in the government-wide statements.

➤ **Federal Revenue Sources**

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

2. 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.
- 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.

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

3. INVESTMENTS

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

Investments	Maturities	Fair Value
Dreyfus Treasury Prime Cash Management Fund (1)	51 Day Average	\$ 12,446,457.61
State Board of Administration (SBA) Debt Service Accounts	6 Months	221,369.83
Total Investments, Primary Government		<u>\$ 12,667,827.44</u>

Note: (1) These investments are held under a trust agreement in connection with the Certificates of Participation, Series 2003A and 2006, financing agreements (see Note 6).

Interest Rate Risk

- The District's investment policy authorizes investment of temporarily idle funds to earn the maximum return for the period available. The policy also indicates a high priority shall be placed on the safety and liquidity of the funds. The trust agreement in connection with certificates of participation financing arrangements does not specifically limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates. The Dreyfus Treasury Prime Cash Management money market mutual fund used by the trustee is designed to maintain a \$1 per share net asset value and provide immediate liquidity to meet cash flow needs.

Credit Risk

- Section 218.415(17), Florida Statutes, limits investments to the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits to qualified public depositories, as defined in Section 280.02, Florida Statutes; and direct obligations of the United States Treasury. The District's investment policy does not further limit its investment choices.
- As of June 30, 2009, the District's investment in the Dreyfus Treasury Prime Cash Management Fund is rated AAAM by Standard & Poor's and Aaa by Moody's Investors Service.
- The District's investments in SBA Debt Service accounts are to provide for debt service payments on bond debt issued by the State Board of Education for the benefit of the District. The District relies on policies developed by SBA for managing credit risk for this account.

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

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 32,206,210.33	\$	\$	\$ 32,206,210.33
Construction in Progress	147,940,944.60	8,944,222.75	156,611,486.85	273,680.50
Total Capital Assets Not Being Depreciated	180,147,154.93	8,944,222.75	156,611,486.85	32,479,890.83
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	24,507,724.09	191,470.37		24,699,194.46
Buildings and Fixed Equipment	393,519,355.75	156,611,486.85		550,130,842.60
Furniture, Fixtures, and Equipment	29,108,475.94	3,069,730.95	2,857,303.74	29,320,903.15
Motor Vehicles	13,704,570.21	2,356,678.46	630,786.96	15,430,461.71
Property Under Capital Lease	667,231.00			667,231.00
Audio Visual Materials and Computer Software	4,421,136.03	103,416.00	166,742.50	4,357,809.53
Total Capital Assets Being Depreciated	465,928,493.02	162,332,782.63	3,654,833.20	624,606,442.45
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	11,269,152.92	631,678.95		11,900,831.87
Buildings and Fixed Equipment	93,597,410.09	10,813,056.15		104,410,466.24
Furniture, Fixtures, and Equipment	23,022,901.81	2,932,213.46	2,857,303.74	23,097,811.53
Motor Vehicles	7,704,342.60	1,119,675.16	630,786.96	8,193,230.80
Property Under Capital Lease	333,615.52	66,723.10		400,338.62
Audio Visual Materials and Computer Software	3,841,534.71	289,247.11	166,742.50	3,964,039.32
Total Accumulated Depreciation	139,768,957.65	15,852,593.93	3,654,833.20	151,966,718.38
Total Capital Assets Being Depreciated, Net	326,159,535.37	146,480,188.70		472,639,724.07
Governmental Activities Capital Assets, Net	\$ 506,306,690.30	\$ 155,424,411.45	\$ 156,611,486.85	\$ 505,119,614.90

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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	Balance 7-1-08	Additions	Deletions	Balance 6-30-09
MAJOR COMPONENT UNIT -				
FIRST COAST TECHNICAL COLLEGE				
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	\$ 2,276,385.00	\$ 205,669.00	\$ 199,500.00	\$ 2,282,554.00
Motor Vehicles	94,721.00			94,721.00
Leasehold Improvements	1,790,960.00		2,575.00	1,788,385.00
Total Capital Assets Being Depreciated	4,162,066.00	205,669.00	202,075.00	4,165,660.00
Less Accumulated Depreciation for:				
Furniture, Fixtures, and Equipment	1,071,711.00	172,266.00	147,466.00	1,096,511.00
Motor Vehicles	58,103.00	11,800.00		69,903.00
Leasehold Improvements	376,599.00	111,399.00	2,575.00	485,423.00
Total Accumulated Depreciation	1,506,413.00	295,465.00	150,041.00	1,651,837.00
Major Component Unit Capital Assets, Net	\$ 2,655,653.00	\$ (89,796.00)	\$ 52,034.00	\$ 2,513,823.00

The class of property under capital lease is presented in Note 5.

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

Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Pupil Transportation Services	\$ 1,119,675.16
Unallocated	14,732,918.77
	<u>14,732,918.77</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 15,852,593.93</u>
MAJOR COMPONENT UNIT - FIRST COAST TECHNICAL COLLEGE	
Instruction	\$ 86,073.00
Pupil Personnel Services	37,828.00
School Administration	2,017.00
Central Services	3,028.00
Operation of Plant	37,734.00
Maintenance of Plant	128,412.00
Community Services	373.00
	<u>373.00</u>
Total Depreciation Expense - Major Component Unit	<u>\$ 295,465.00</u>

5. OBLIGATION UNDER CAPITAL LEASE

The Board entered into a Master Governmental Equipment Lease Financing Agreement with a local financial institution on April 12, 2004, to finance the purchase of portable buildings under provisions of Section 1013.15, Florida Statutes. The District borrowed \$667,231 at a stated interest rate of 4.22 percent. Payments are payable monthly through April 16, 2014. Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follow:

Fiscal Year Ending June 30	Total	Principal	Interest
2010	\$ 81,904.44	\$ 68,123.73	\$13,780.71
2011	81,904.44	71,054.79	10,849.65
2012	81,904.44	74,111.98	7,792.46
2013	81,904.44	77,300.72	4,603.72
2014	68,253.70	66,952.26	1,301.44
	<u>68,253.70</u>	<u>66,952.26</u>	<u>1,301.44</u>
Total Minimum Lease Payments	<u>\$ 395,871.46</u>	<u>\$ 357,543.48</u>	<u>\$ 38,327.98</u>

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

6. CERTIFICATES OF PARTICIPATION

Certificates of Participation at June 30, 2009, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2003A	\$ 15,550,000	2.90 - 4.10	2018	\$ 23,230,000
Series 2006	<u>123,245,000</u>	3.75 - 5.25	2021	145,000,000
Total Certificates of Participation	<u><u>\$ 138,795,000</u></u>			

The District entered into a master financing arrangement on November 15, 2003, characterized as a lease purchase agreement, with the St. Johns County School Board Leasing Corporation (Corporation) whereby the District secured financing of various educational facilities. The financing was accomplished through the issuance of certificates of participation to be repaid from the proceeds of rents paid by the District.

As a condition of the financing arrangement, the District has given ground leases on District properties to the Corporation, with a rental fee of \$10 per year. The properties covered by the ground leases are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the District fails to renew the leases and to provide for the rent payments through to term, the District may be required to surrender the properties included under the Ground Lease Agreements for the benefit of the securers of the certificates for the remaining term of the ground leases or until the certificates are paid in full.

A summary of the lease terms are as follows:

<u>Certificates</u>	<u>Lease Term</u>
Series 2003A	Earlier of date paid in full or July 1, 2023
Series 2006	Earlier of date paid in full or July 1, 2021

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

<u>Certificates</u>	<u>Description of Properties</u>
Series 2003A	Construction of Timberlin Creek Elementary School and South Woods Elementary School
Series 2006	Construction of Wards Creek Elementary School, Pacetti Bay Middle School, a Ninth Grade Center at the Existing Bartram Trail High School, Ponte Vedra High School, and Creekside High School

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

The lease payments are payable by the District, semiannually, on July 1 and January 1, and must be remitted by the District as of the 15th day of the month preceding the payment dates. The following is a schedule by years of future minimum lease payments under the lease agreement together with the present value of minimum lease payments as of June 30:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 15,648,634	\$ 9,585,000	\$ 6,063,634
2011	15,646,546	9,940,000	5,706,546
2012	15,643,216	10,345,000	5,298,216
2013	15,648,906	10,805,000	4,843,906
2014	15,650,007	11,230,000	4,420,007
2015-2019	76,160,215	61,555,000	14,605,215
2020-2021	27,140,950	25,335,000	1,805,950
Total Minimum Lease Payments	<u>\$ 181,538,474</u>	<u>\$ 138,795,000</u>	<u>\$ 42,743,474</u>

7. BONDS PAYABLE

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

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State School Bonds:			
Series 1999A	\$ 980,000	4.375 - 4.750	2019
Series 2000A (Partially Refunded)	125,000	5.125	2010
Series 2003A	460,000	3.00 - 4.25	2023
Series 2004A	650,000	3.350 - 4.625	2024
Series 2005A	230,000	4.0 - 5.0	2025
Series 2005B, Refunding	3,840,000	5.0	2020
Series 2006A	470,000	4.000 - 4.625	2026
Series 2008A	1,400,000	3.25 - 5.00	2028
District General Obligation Bonds: Refunding Bonds Series 2003	<u>3,830,000</u>	2.75 - 4.50	2009
Total Bonds Payable	<u>\$ 11,985,000</u>		

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

➤ 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

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

requirements are administered by the State Board of Education and the State Board of Administration.

➤ **District General Obligation Bonds**

General Obligation Refunding Bonds, Series 2003, are authorized by Sections 132.33 through 132.47, Florida Statutes, and other applicable provisions of law, 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, 2009, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2010	\$ 924,583.75	\$ 540,000.00	\$ 384,583.75
2011	914,571.25	555,000.00	359,571.25
2012	919,016.25	585,000.00	334,016.25
2013	921,928.75	615,000.00	306,928.75
2014	933,135.00	655,000.00	278,135.00
2015-2019	4,223,938.75	3,330,000.00	893,938.75
2020-2024	1,581,912.50	1,270,000.00	311,912.50
2025-2028	674,062.50	605,000.00	69,062.50
Total State School Bonds	11,093,148.75	8,155,000.00	2,938,148.75
District General Obligation Bonds:			
2010	3,886,993.75	3,830,000.00	56,993.75
Total	\$ 14,980,142.50	\$ 11,985,000.00	\$ 2,995,142.50

8. DEFEASED DEBT

In prior years, portions of the State School Bonds, Series 2000A, 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 in an irrevocable trust to provide for all future debt service payments on the old State school bonds. 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, 2009, State School Bonds, Series 2000A, totaling \$1,450,000 outstanding are considered defeased in substance.

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

9. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-08	Additions	Deductions	Balance 6-30-09	Due in One Year
GOVERNMENTAL ACTIVITIES					
Estimated Insurance Claims Payable	\$ 2,711,000.00	\$ 238,718.50	\$ 659,748.50	\$ 2,289,970.00	\$ 659,748.50
Obligation Under Capital Lease	422,857.03		65,313.55	357,543.48	68,123.73
Bonds Payable	16,215,000.00		4,230,000.00	11,985,000.00	4,370,000.00
Certificates of Participation Payable	148,040,000.00		9,245,000.00	138,795,000.00	9,585,000.00
Compensated Absences Payable	25,595,611.91	3,078,762.77	8,013,506.70	20,660,867.98	1,520,906.70
Postemployment Healthcare Benefits Payable	13,659,107.00	8,063,178.00	1,757,303.00	19,964,982.00	
Total Governmental Activities	<u>\$ 206,643,575.94</u>	<u>\$ 11,380,659.27</u>	<u>\$ 23,970,871.75</u>	<u>\$ 194,053,363.46</u>	<u>\$ 16,203,778.93</u>
MAJOR COMPONENT UNIT					
Compensated Absences Payable	<u>\$ 1,116,452.00</u>	<u>\$ 79,105.00</u>	<u>\$ 82,398.00</u>	<u>\$ 1,113,159.00</u>	<u>\$ 76,719.00</u>

Internal service funds predominately serve the governmental funds and, accordingly, long-term liabilities of those funds are included in the governmental activities. The estimated insurance claims are generally liquidated with resources of the Workers' Compensation Liability Program Internal Service Fund. For the governmental activities, compensated absences are generally liquidated with resources of the General Fund, and postemployment healthcare benefits are generally liquidated with resources of the General Fund and special revenue funds.

10. 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:		
General	\$ 825,082.20	\$ 37,986.43
Nonmajor Governmental		659,584.91
Internal Service	4,304.72	
Agency		131,815.58
Total	<u>\$ 829,386.92</u>	<u>\$ 829,386.92</u>

Interfund balances generally arise due to expenditures being adjusted between funds. The interfund amounts represent temporary loans from one fund to another and are expected to be repaid within one year.

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

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	\$ 13,530,521.93	\$ 283,925.55
Debt Service - Other Debt Service	15,640,294.13	59,488.96
Capital Projects:		
Local Capital Improvement	9,570,486.09	28,060,642.13
Other Capital Projects	59,488.96	9,570,486.09
Nonmajor Governmental	283,925.55	1,110,173.93
Total	<u>\$ 39,084,716.66</u>	<u>\$ 39,084,716.66</u>

Interfund transfers represent permanent transfers of moneys between funds. The transfers out of the Capital Projects – Local Capital Improvement Fund were to provide for debt service payments, property insurance premiums, and to fund certain expenditures of the District’s facilities, information technology, and maintenance departments. The transfer out of the Capital Projects – Other Capital Projects Fund to the Capital Projects – Local Capital Improvement Fund was to utilize certificates of participation proceeds to reimburse debt service interest payments initially paid from property tax revenues. The transfer out of the nonmajor governmental fund was to reimburse the General Fund for expenses related to school food service operations. The transfer out of the General Fund to the nonmajor governmental fund was to allocate program income attributable to the District’s exclusive beverage contract to the food service program. The transfer out of the Debt Service – Other Debt Service Fund to the Capital Projects – Other Capital Projects Fund was to utilize allowable certificates of participation proceeds, and interest earnings thereon, for construction expenditures.

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 fiscal year's appropriations are likewise encumbered.

The Florida Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2009-10 fiscal year budget as a result of purchase orders outstanding at June 30, 2009.

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

12. SCHEDULE OF STATE REVENUE SOURCES

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

Source	Amount
Florida Education Finance Program	\$ 16,265,160.00
Categorical Educational Programs:	
Class Size Reduction	29,287,515.00
Transportation	7,330,755.00
Instructional Materials	3,035,942.00
School Recognition	2,056,350.00
Excellent Teaching	909,130.96
Florida Teachers Lead	399,495.00
Other	382,982.70
Gross Receipts Tax (Public Education Capital Outlay)	8,829,281.00
Workforce Development Program	6,173,064.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,118,034.77
Discretionary Lottery Funds	711,932.00
Mobile Home License Tax	71,360.30
Food Service Supplement	63,686.00
Miscellaneous	280,303.23
Total	<u>\$ 76,914,991.96</u>

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

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

13. PROPERTY TAXES

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

	Millages	Taxes		
		Levied	Budgeted (1) (2)	Collected (2)
GENERAL FUND				
Nonvoted School Tax:				
Required Local Effort	5.111	\$ 125,468,757.59	\$ 119,740,252.36	\$ 119,740,252.36
Basic Discretionary Local Effort	0.498	12,225,286.89	11,667,119.09	11,667,119.09
Supplemental Discretionary Local Effort	0.121	2,970,401.03	2,834,781.95	2,834,781.95
DEBT SERVICE FUNDS				
Voted Tax:				
Special Tax School District No. 1				
Interest and Sinking	0.162	3,976,900.55	3,758,172.70	3,758,172.70
CAPITAL PROJECTS FUNDS				
Nonvoted Tax:				
Local Capital Improvements	1.750	42,960,345.49	40,998,912.46	40,998,912.46
Total	7.642	\$ 187,601,691.55	\$ 178,999,238.56	\$ 178,999,238.56

Notes: (1) The District budgets about 95 percent of the taxes levied to allow for taxes that will not be collected as a result of early payment discounts, changes in property value assessments, and various other factors.

(2) The budgeted and collected columns do not include delinquent tax receipts reported as revenue in the 2008-09 fiscal year to satisfy prior years' unpaid taxes.

14. FLORIDA RETIREMENT SYSTEM

All regular employees of the District are covered by the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

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

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

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in PEORP in lieu of the Plan. District employees participating in DROP are not eligible to participate in PEORP. Employer contributions are defined by law; however, the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular, Elected County Officers, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest after one year of service. There were 453 District participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$1,412,072.06.

FRS Retirement Contribution Rates

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

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Elected County Officers	0.00	16.53
Florida Retirement System, Senior Management Service	0.00	13.12
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of PEORP.

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

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$10,727,186.28, \$12,928,909.12, and \$12,301,221.90, respectively, which were equal to the required contributions for each fiscal year.

The financial statements and other supplementary information of FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained from the Florida Department of Financial Services. Also, an annual report on FRS, which includes its financial statements, required

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

supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

15. SPECIAL TERMINATION BENEFITS

The Board provides for the payment of special retirement benefits to qualifying employees as follows:

- The Board provides for the payment of a special retirement incentive to administrative, managerial, and confidential employees hired prior to January 2, 2002. The incentive is equal to 1 percent of final salary times the number of years of St. Johns County District School Board service or \$10,000, whichever is greater, provided that the employee retires by the end of the first fiscal year of eligibility. Employees hired on or after January 2, 2002, are not eligible for the retirement incentive, and employees hired before that date and reclassified from another category are eligible for an incentive equal to 1 percent of final salary times the number of years of St. Johns County District School Board service or \$10,000, whichever is less, provided that the employee retires by the end of the first fiscal year of eligibility.
- The Board's collective bargaining agreement with the St. Johns Education Association provides for the payment of a special retirement incentive of 30 percent of final salary or \$10,000, whichever is greater, for instructional employees who retire with a minimum of 10 years of service, provided that the employee retires by the end of the first fiscal year of eligibility.
- The Board's collective bargaining agreement with the St. Johns School Support Association provides for the payment of special retirement benefits to noninstructional employees upon retirement of \$3,000 for employees with 15 years of service and an additional \$250 for each year of service beyond 15 years, up to a maximum of 30 years of service.

In addition to payments for accrued leave and regular termination benefits, the District reported expenditures for special termination benefits totaling \$655,574.51 during the 2008-09 fiscal year.

16. POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description. The Postemployment Healthcare Benefits Plan is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the District or its major component unit, First Coast Technical College, and eligible dependents, may continue to participate in the District's self-insured health and hospitalization plan for medical, prescription drug, dental, and vision coverage. The District subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Additionally, certain retirees receive insurance coverage at a lower (explicitly subsidized) premium rate than active employees. Benefits under the plan are provided for a fixed number of years determined at the time of retirement based on the number of years worked for the District. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Postemployment Healthcare Benefits Plan does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System or another entity.

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

Funding Policy. Contribution requirements of the District and plan members are established and may be amended through recommendations of the Insurance Committee and action from the Board (see Notes to Required Supplementary Information for explanations of significant plan changes effective for the 2008-09 plan year). The District has not advance-funded or established a funding methodology for the annual other postemployment benefits (OPEB) cost or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 401 retirees received postemployment healthcare benefits. The District provided required contributions of \$1,757,303 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of excess insurance), administrative expenses, and excess insurance premiums, and net of retiree contributions totaling \$1,099,847. Retiree contributions represent 1 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (service cost for one year)	\$ 4,881,723
Amortization of Unfunded Actuarial Accrued Liability	2,890,885
Interest on Normal Cost and Amortization	<u>232,031</u>
Annual Required Contribution	8,004,639
Interest on Net OPEB Obligation	546,364
Adjustment to Annual Required Contribution	<u>(487,825)</u>
Annual OPEB Cost (Expense)	8,063,178
Contribution Toward the OPEB Cost	<u>(1,757,303)</u>
Increase in Net OPEB Obligation	6,305,875
Net OPEB Obligation, Beginning of Year	<u>13,659,107</u>
Net OPEB Obligation, End of Year	<u><u>\$ 19,964,982</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009, and the preceding two years, were as follows:

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

Fiscal Year	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2006-07	\$ 4,321,247	\$ 1,102,183	25.5%	\$ 6,271,382
2007-08	9,440,374	2,052,649	21.7	13,659,107
2008-09	8,063,178	1,757,303	21.8	19,964,982

Funded Status and Funding Progress. As of October 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$79,372,892 (as revised for Board approved changes to retiree plan options and premiums effective October 1, 2008), and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$79,372,892 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$110,357,392 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 71.9 percent.

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

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

The District's October 1, 2007, OPEB actuarial valuation used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and the 2008-09 fiscal year annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the District's long-term expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 10 percent, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after ten years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 26 years.

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

17. 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
Classroom Additions at Timberlin Creek and Wards Creek Elementary Schools:			
Architect	\$ 334,530.00	\$ 250,897.50	\$ 83,632.50
Contractor	3,266,000.00		3,266,000.00
Total	<u>\$ 3,600,530.00</u>	<u>\$ 250,897.50</u>	<u>\$ 3,349,632.50</u>

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. Johns County District School Board has established self-insurance programs for its employee health and hospitalization and its workers' compensation liability coverage. For workers' compensation and most of its other insurance coverage, effective July 1, 2008, the Board became a member of the Florida School Board Insurance Trust (Trust) 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 Trust. Section 1001.42(12)(k), Florida Statutes, provides the authority for the District to enter into such a risk management program. The Trust is self-sustaining through member assessments (premiums), and purchases coverage through commercial companies for claims in excess of specified amounts. If a member district withdraws or terminates participation in the Trust, and its claims exceed loss fund contributions from premiums paid, the Trust may request additional funds or return the open claims to the member district. The Board of Directors for the Trust is mainly composed of board members and a district level business officer selected from participating districts.

The District's health and hospitalization self-insurance program, which includes medical, dental, and vision coverage, is being provided on a self-insured basis up to specified limits. The District has entered into an agreement with an insurance company to provide specific excess coverage of claim amounts above \$175,000 per insured per year, with a maximum lifetime benefit for medical claims of \$5,000,000 per insured. The program's administrator has been approved by the Florida Department of Financial Services, Office of Insurance Regulation. The funds for these coverages were established in accordance with Chapter 112, Florida Statutes. The program is administered through the Internal Service Funds. Contributions to the program were made by the St. Johns County District School Board and the First Coast Technical College, and by covered current and former employees and retirees of the Board and the First Coast Technical College.

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

A liability in the amount of \$2,971,115 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2009, and is reported net of excess insurance recoverable on unpaid claims.

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

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2007-08	\$ 2,748,294.00	\$ 23,630,392.12	\$ (23,455,538.12)	\$ 2,923,148.00
2008-09	2,923,148.00	25,108,815.94	(25,060,848.94)	2,971,115.00

The Board established a self-insurance program to provide workers' compensation coverage for its employees for claims incurred prior to June 30, 2008. The District's liability was limited by excess insurance to \$250,000 per occurrence, depending on the year of occurrence, and by aggregate excess insurance per plan year ranging from \$1,000,000 to \$3,818,988, except for the 2004-05 plan year for which aggregate excess insurance was not purchased. For claims incurred on or after July 1, 2008, the District's workers' compensation coverage was administered by the Trust.

A workers' compensation program liability of \$2,289,970 was actuarially determined to cover the District's liability at June 30, 2009 (for plan years ending prior to June 30, 2008), and is reported net of excess insurance recoverable on unpaid claims.

The following schedule represents the changes in the liability for the past two fiscal years for the District's workers' compensation program:

	Beginning-of- Fiscal-Year Liability	Current-Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year-End
2007-08	\$ 2,704,000.00	\$ 636,034.76	\$ (629,034.76)	\$ 2,711,000.00
2008-09	2,711,000.00	238,718.50	(659,748.50)	2,289,970.00

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

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

19. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2008-09 fiscal year:

	Self-Insurance Funds				Total
	Health and Hospitalization			Workers'	
	Group Medical Insurance	Group Dental Insurance	Group Vision Insurance	Compensation Liability Insurance	
Total Assets	<u>\$14,011,665.17</u>	<u>\$1,266,430.89</u>	<u>\$ 495,086.90</u>	<u>\$4,807,029.92</u>	<u>\$20,580,212.88</u>
Liabilities and Net Assets:					
Accounts Payable	\$ 4,032,500.85	\$ 252,293.03	\$ 42,820.69	\$ 844.90	\$ 4,328,459.47
Estimated Insurance Claims Payable	2,792,690.00	143,969.00	34,456.00	2,289,970.00	5,261,085.00
Unrestricted Net Assets	<u>7,186,474.32</u>	<u>870,168.86</u>	<u>417,810.21</u>	<u>2,516,215.02</u>	<u>10,990,668.41</u>
Total Liabilities and Net Assets	<u>\$14,011,665.17</u>	<u>\$1,266,430.89</u>	<u>\$ 495,086.90</u>	<u>\$4,807,029.92</u>	<u>\$20,580,212.88</u>
Revenues:					
Insurance Premiums	\$25,278,164.42	\$2,631,653.74	\$ 467,788.98	\$1,935,638.91	\$30,313,246.05
Interest Income	<u>248,700.20</u>	<u>15,951.96</u>	<u>9,216.77</u>	<u>93,306.58</u>	<u>367,175.51</u>
Total Revenues	25,526,864.62	2,647,605.70	477,005.75	2,028,945.49	30,680,421.56
Total Expenses	<u>(26,856,850.97)</u>	<u>(1,942,521.35)</u>	<u>(543,827.25)</u>	<u>(1,727,955.38)</u>	<u>(31,071,154.95)</u>
Change in Net Assets	<u>\$ (1,329,986.35)</u>	<u>\$ 705,084.35</u>	<u>\$ (66,821.50)</u>	<u>\$ 300,990.11</u>	<u>\$ (390,733.39)</u>

20. COMPONENT UNITS

As discussed in Note 1, the District had three component units, the ABLE School, Inc., charter school; the First Coast Technical College (FCTC), charter technical career center; and the St. Johns County Education Foundation, Inc. The District considers the FCTC to be a major component unit based on its significance relative to the total discretely presented component units and based upon its nature and significance to the District. FCTC is primarily funded through the District's \$6,173,064 workforce development program appropriation. In addition, the District processes and pays the salaries and benefits of FCTC employees, which are subsequently reimbursed by FCTC.

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

Summary information derived from the component units' June 30, 2009, financial data comprising the component unit columns reported on the government-wide financial statements is shown below:

**STATEMENT OF NET ASSETS
ALL COMPONENT UNITS**

	Charter Schools		St. Johns County Education Foundation, Inc.	Total
	First Coast Technical College (Major Component Unit)	ABLE School, Inc.		
ASSETS				
Cash	\$ 1,440,747	\$ 144,864	\$ 466,699	\$ 2,052,310
Investments			40,177	40,177
Accounts Receivable	225,338		10,134	235,472
Due from Primary Government	262,846			262,846
Pledges Receivable			82,726	82,726
Inventories	121,286			121,286
Prepaid Items			1,000	1,000
Capital Assets:				
Depreciable Capital Assets, Net	2,513,823	115,103	4,253	2,633,179
TOTAL ASSETS	\$ 4,564,040	\$ 259,967	\$ 604,989	\$ 5,428,996
LIABILITIES				
Salaries and Benefits Payable	\$	\$ 16,212	\$ 4,517	\$ 20,729
Accounts Payable	109,763		6,437	116,200
Due to Primary Government		102		102
Deferred Revenue	254,540			254,540
Long-Term Liabilities:				
Portion Due Within One Year:				
Note Payable		1,388		1,388
Compensated Absences Payable	76,719			76,719
Portion Due After One Year:				
Compensated Absences Payable	1,036,440			1,036,440
Total Liabilities	1,477,462	17,702	10,954	1,506,118
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	2,513,823	113,715		2,627,538
Restricted			313,810	313,810
Unrestricted	572,755	128,550	280,225	981,530
Total Net Assets	3,086,578	242,265	594,035	3,922,878
TOTAL LIABILITIES AND NET ASSETS	\$ 4,564,040	\$ 259,967	\$ 604,989	\$ 5,428,996

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

**STATEMENT OF ACTIVITIES
ALL COMPONENT UNITS**

	Charter Schools		St. Johns County Education Foundation, Inc.	Total
	First Coast Technical College (Major Component Unit)	ABLE School, Inc.		
EXPENSES				
Instruction	\$ 4,457,472	\$ 403,401	\$ 384,291	\$ 5,245,164
Pupil Personnel Services	2,551,340			2,551,340
Instruction and Curriculum Development Services		3,483		3,483
General Administration		454,695	107,770	562,465
School Administration	716,303			716,303
Fiscal and Community Services	1,195,584			1,195,584
Central Services	65,240			65,240
Operation of Plant	1,182,091			1,182,091
Maintenance of Plant	492,625			492,625
Total Expenses	10,660,655	861,579	492,061	12,014,295
PROGRAM REVENUES				
Charges for Services	2,267,366	58,533		2,325,899
Operating Grants and Contributions	1,182,882			1,182,882
Capital Grants and Contributions	600,000			600,000
Total Program Revenues	4,050,248	58,533		4,108,781
Net Expense	(6,610,407)	(803,046)	(492,061)	(7,905,514)
GENERAL REVENUES				
Grants and Contributions, Not Restricted to Specific Programs	7,294,471	806,257	690,387	8,791,115
Unrestricted Investment Earnings	4,512	2,205	10,888	17,605
Total General Revenues	7,298,983	808,462	701,275	8,808,720
Change in Net Assets	688,576	5,416	209,214	903,206
Net Assets - Beginning	2,398,002	236,849	372,657	3,007,508
Adjustment to Restate Beginning Net Assets			12,164	12,164
Net Assets - Beginning, as Restated	2,398,002	236,849	384,821	3,019,672
Net Assets - Ending	\$ 3,086,578	\$ 242,265	\$ 594,035	\$ 3,922,878

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

21. ADJUSTMENT TO RESTATE COMPONENT UNIT NET ASSETS

Beginning net assets of the St. Johns County Education Foundation, Inc., a nonmajor component unit, have been restated by \$12,164 to account for earned revenue that was inadvertently unrecorded in the 2007-08 fiscal year.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
For the Fiscal Year Ended June 30, 2009**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	\$ 233,749.00	\$ 369,437.59	\$ 358,815.66	\$ (10,621.93)
Federal Through State and Local	200,000.00	455,683.00		(455,683.00)
State	62,015,123.50	66,838,212.85	66,848,834.78	10,621.93
Local:				
Property Taxes	134,656,675.00	134,242,153.40	135,767,674.33	1,525,520.93
Miscellaneous	1,719,371.00	9,797,223.55	8,573,773.88	(1,223,449.67)
Total Revenues	198,824,918.50	211,702,710.39	211,549,098.65	(153,611.74)
Expenditures				
Current - Education:				
Instruction	124,384,558.43	140,122,196.84	125,188,052.86	14,934,143.98
Pupil Personnel Services	11,251,950.32	11,762,370.90	11,705,049.14	57,321.76
Instructional Media Services	4,315,155.64	4,334,563.88	4,281,329.92	53,233.96
Instruction and Curriculum Development Services	3,467,345.00	3,409,456.68	3,370,237.01	39,219.67
Instructional Staff Training Services	220,455.00	636,347.63	536,614.64	99,732.99
Instruction Related Technology	4,265,793.50	4,260,340.36	4,260,340.36	
Board of Education	744,808.00	962,133.65	904,656.10	57,477.55
General Administration	398,641.00	354,024.62	347,902.30	6,122.32
School Administration	14,211,545.11	14,290,006.14	13,881,588.04	408,418.10
Facilities Acquisition and Construction	2,824,212.00	3,352,048.00	2,974,321.53	377,726.47
Fiscal Services	1,627,716.00	1,559,114.90	1,545,941.99	13,172.91
Central Services	2,749,329.00	2,837,848.22	2,512,358.46	325,489.76
Pupil Transportation Services	10,954,587.00	9,763,334.91	9,673,220.72	90,114.19
Operation of Plant	21,846,641.00	21,440,993.08	18,995,027.00	2,445,966.08
Maintenance of Plant	7,625,208.00	7,828,049.27	7,307,805.31	520,243.96
Administrative Technology Services	770,475.00	709,066.85	611,482.35	97,584.50
Community Services	118,704.50	4,153,447.44	2,790,541.71	1,362,905.73
Fixed Capital Outlay:				
Facilities Acquisition and Construction		24,108.00	24,108.00	
Other Capital Outlay		377,402.23	377,402.23	
Total Expenditures	211,777,124.50	232,176,853.60	211,287,979.67	20,888,873.93
Excess (Deficiency) of Revenues Over Expenditures	(12,952,206.00)	(20,474,143.21)	261,118.98	20,735,262.19
Other Financing Sources (Uses)				
Operating Transfers In	12,952,206.00	13,732,379.93	13,530,521.93	(201,858.00)
Proceeds from Sale of Capital Assets			1,641.39	1,641.39
Insurance Loss Recoveries			123,008.60	123,008.60
Operating Transfers Out		(283,925.55)	(283,925.55)	
Total Other Financing Sources (Uses)	12,952,206.00	13,448,454.38	13,371,246.37	(77,208.01)
Net Change in Fund Balances		(7,025,688.83)	13,632,365.35	20,658,054.18
Fund Balances, Beginning		24,680,804.04	24,680,804.04	
Fund Balances, Ending	\$ 0.00	\$ 17,655,115.21	\$ 38,313,169.39	\$ 20,658,054.18

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS -
POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	[(B-A)/C]
July 1, 2005	\$ 0	\$ 47,133,660	\$ 47,133,660	0.0%	\$ 74,022,750	63.7%
October 1, 2007	0	101,836,119	101,836,119	0.0%	110,357,392	92.3%
October 1, 2007 (1)	0	79,372,892	79,372,892	0.0%	110,357,392	71.9%

Note (1): The District materially changed Plan provisions and obtained a revised actuarial calculation. See notes to required supplementary information for explanation of the revised liability calculation as of October 1, 2007.

**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009**

1. SCHEDULE OF FUNDING PROGRESS - POSTEMPLOYMENT HEALTHCARE BENEFITS

The District obtained a revised actuarial valuation of the unfunded actuarial accrued liability for its Postemployment Healthcare Benefits Plan as of October 1, 2007, as a result of certain changes the Board made to plan provisions. The changes, which caused the unfunded actuarial accrued liability to decrease from \$101,836,119 to \$79,372,892, are discussed below:

- The Board added a new, more affordable, group Medicare health insurance option.
- The Board approved increasing the required retiree contribution by \$100 per month for retirees choosing any plan other than the new, more affordable, group Medicare health insurance option.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

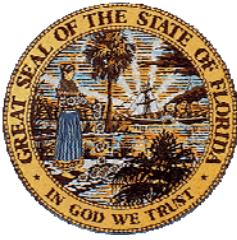
**ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2009**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
United States Department of Agriculture:				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 488,660.74	\$
National School Lunch Program	10.555	300	1,904,078.60	
Summer Food Service Program for Children	10.559	323	59,879.50	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	297,458.11	
Total Child Nutrition Cluster			2,750,076.95	
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A1927	11,482.12	
Total United States Department of Agriculture			2,761,559.07	
United States Department of Education:				
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	4,558,432.82	
Special Education - Preschool Grants	84.173	267	176,265.26	
University of South Florida:				
Special Education - Grants to States	84.027	None	76,042.35	
Total Special Education Cluster			4,810,740.43	
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	159,354.99	159,354.99
Title I Grants to Local Educational Agencies	84.010	212, 223, 226, 228	2,675,381.18	
Title I Program for Neglected and Delinquent Children	84.013	223	45,672.51	
Career and Technical Education - Basic Grants to States	84.048	151	419,425.71	255,812.00
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	119,339.43	
Charter Schools	84.282	298	56,631.42	56,631.42
State Grants for Innovative Programs	84.298	113	11,469.47	
Education Technology State Grants	84.318	121, 122	28,399.05	
English Language Acquisition Grants	84.365	102	37,570.94	
Improving Teacher Quality State Grants	84.367	224	570,233.24	
School Improvement Grants	84.377	126	116,605.27	
St. Johns River Community College:				
Career and Technical Education - Basic Grants to States	84.048	21168	12,310.90	12,310.90
Tech-Prep Education	84.243	21164	169.00	
Total United States Department of Education			9,063,303.54	484,109.31
United States Department of Health and Human Services:				
Direct:				
Head Start	93.600 (3)	N/A	916,825.23	
Corporation for National and Community Service:				
Direct:				
Retired and Senior Volunteer Program	94.002	N/A	73,749.00	
Indirect:				
Florida Department of Education:				
Learn and Serve America - School and Community Based Programs	94.004	232	1,213.51	
Total Corporation for National and Community Service			74,962.51	
United States Department of Homeland Security:				
Indirect:				
Florida Department of Community Affairs:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	460F, 460S	76,753.39	
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	65,818.56	
Air Force Junior Reserve Officers Training Corps	None	N/A	108,192.36	
Navy Junior Reserve Officers Training Corps	None	N/A	55,219.11	
Total United States Department of Defense			229,230.03	
Total Expenditures of Federal Awards			\$ 13,122,633.77	\$ 484,109.31

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

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

(3) Head Start. Expenditures include \$7,914.15 for grant number 04CH0594/11 and \$908,911.08 for grant number 04CH0594/12.



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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the St. Johns County District School Board as of and for the fiscal year ended June 30, 2009, which collectively comprise the District's basic financial statements, and have issued our report thereon under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the school internal funds and the aggregate discretely presented component units, as described in our report on the St. Johns County District School Board's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial

statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider Financial Statement Finding No. 1, which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is not a material weakness.

Compliance and Other Matters

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

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
March 24, 2010



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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 St. Johns County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2009. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

The District's basic financial statements include the operations of the First Coast Technical Institute, Inc., d/b/a First Coast Technical College, a charter technical career center reported as a discretely presented component unit on the accompanying basic financial statements. First Coast Technical College received \$1,776,574 in Federal Awards for the fiscal year ended June 30, 2009. Our audit did not extend to the operations of First Coast Technical College because, pursuant to the provisions of Section 1002.34(11)(f), Florida Statutes, the charter technical career center engaged other auditors to perform an audit in accordance with the United States Office of Management and Budget *Circular A-133*.

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

procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB *Circular A-133* and which is described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1.

Internal Control Over Compliance

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we considered to be a significant deficiency.

A *control deficiency* in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding No. 1 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the District's internal control. We do not consider the Federal Awards control deficiency described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report to be a material weakness.

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
March 24, 2010

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

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes

Type of report the auditor issued on compliance for major programs: Unqualified for all major programs

Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB *Circular A-133*? Yes

Identification of major programs: Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Cluster (CFDA Nos. 84.027 and 84.173); and Career and Technical Education - Basic Grants to States (CFDA No. 84.048)

Dollar threshold used to distinguish between Type A and Type B programs: \$393,679

Auditee qualified as low-risk auditee? No

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

FINANCIAL STATEMENT FINDING

SIGNIFICANT DEFICIENCY

Finding No. 1: Financial Reporting

Our review of the District's 2008-09 fiscal year annual financial report, as presented for audit, disclosed that enhancements in financial reporting procedures could be made. On the government-wide statement of activities, the District overstated capital grants and contributions program revenues by \$29,287,515, and understated grants and contributions not restricted to specific programs by the same amount. Inquiry with District personnel indicated that the error occurred mainly because of confusion over the State's handling of certain class size reduction funding appropriations that are available for both general operating purposes and for capital construction purposes. The class size reduction operating appropriation is not program revenue because it may be used to finance various functions and programs, and may be used for any lawful operating expenditure. As such, these moneys should be reported as grants and contributions not restricted to specific programs. We determined the necessary adjustment to properly report the information on the financial statements and District staff accepted our adjustment. A similar finding was noted in our report No. 2009-193.

Recommendation: To facilitate necessary financial reporting, the District should enhance procedures to ensure that information is properly reported on the financial statements.

FEDERAL AWARDS FINDING AND QUESTIONED COSTS

Federal Awards Finding No. 1:

Federal Agency: United States Department of Education

Pass-Through Entity: Florida Department of Education

Program: Career and Technical Education – Basic Grants to States (CFDA No. 84.048)

Finding Type: Noncompliance and Significant Deficiency

Questioned Costs: \$20,721.44

Allowable Costs/Cost Principles. United States Office of Management and Budget (OMB) *Circular A-87* provides that capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, unless approved in advance by the awarding agency, and that capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior approval of the awarding agency. Special purpose equipment is equipment which is used only for research, medical, scientific, or other technical activities, and general purpose equipment is equipment which is not limited to research, medical, scientific or other technical activities. The District sets its capitalization level for equipment items at \$1,000.

Title 34, Section 80.30, Code of Federal Regulations, provides that grantees may rebudget within the approved direct cost budget to meet unanticipated requirements and may make limited program changes to the approved project. The Florida Department of Education (FDOE), as the pass-through agency for the Career and Technical Education – Basic Grants to States program, developed the *Project Application and Amendment Procedures for Federal and State Grants* (Green Book), which sets forth the types of changes in grant activities or budgetary changes subject to prior approval by the grantor agency. The Green Book provides that where statutes or rules governing a program do not expressly stipulate program or budget amendment requirements, project recipients shall obtain prior approval in writing for changes to the approved project application, involving issues such as goals and objectives, work tasks, types of personnel employed by the project, and contracting or sub-granting. Additionally, the Green Book requires that the recipients provide descriptions in the project application of the type of items and equipment to be purchased with project funds.

The District provided descriptions of the planned equipment purchases in its approved project application; however, contrary to the approved project application and OMB *Circular A-87* requirements, the District used Career and Technical Education – Basic Grants to States program funds to purchase certain general and special purpose equipment items, costing \$20,721.44, that were not included in the approved project application or amendments. These purchases included a special purpose equipment item (plasma welding machine) for the welding program, costing \$6,200, and general purpose equipment items (digital processing and presentation systems for two classrooms, an interactive display board, and a test grading machine) that could be used in any program and were not limited to research, medical, scientific or other technical activities, costing \$14,521.44. Absent prior approval, these expenditures, totaling \$20,721.44, represent questioned costs subject to disallowance by the grantor.

We were advised by District staff that verbal approval was obtained from the grantor for the purchases, the expenditures were charged to line items that were included in the approved budget, the expenditures did not modify the goals and objectives of the grant, the equipment was for use in approved training programs, and the equipment was properly accounted for in the District's capital asset records. However, absent written approval in advance from the grantor in the project application, amendment, or other communication, District records do not evidence the prior approval for these equipment purchases required by OMB *Circular A-87*.

Recommendation: The District should document to the grantor (Florida Department of Education) the allowability of these questioned costs, totaling \$20,721.44, to the Career and Technical Education – Basic Grants to States program, or restore the amount to the program.

District Contact Person: Pam Stewart, Deputy Superintendent

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in our report No. 2009-193.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS

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

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

Audit Report No. and Federal Awards Finding No.	Program / Area	Brief Description	Status	Comments
2008-145 (1)	Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553); National School Lunch Program (CFDA No. 10.555); and Summer Food Service Program for Children (CFDA No. 10.559)] / Program Income - Exclusive Beverage Contract	Contrary to Federal regulations, the District did not correctly allocate program income from its exclusive beverage contract to the food service program account, resulting in questioned costs of \$195,792.	Partially corrected	The District now allocates program income to its food service program. However, the grantor has not contacted the District regarding questioned costs.
2009-193 (1)	Child Nutrition Cluster [School Breakfast Program (CFDA No. 10.553); National School Lunch Program (CFDA No. 10.555); and Summer Food Service Program for Children (CFDA No. 10.559)] / Program Income - Exclusive Beverage Contract	Contrary to Federal regulations, the District did not correctly allocate program income from its exclusive beverage contract to the food service program account, resulting in questioned costs of \$144,701.80.	Corrected	The District submitted additional documentation to the Florida Department of Education (FDOE), and FDOE considered the corrective action to be satisfactory without requiring the District to restore questioned costs.
2008-145 (2) 2009-193 (2)	National School Lunch Program (CFDA 10.555) / Special Tests and Provisions - Competitive Food Sales	The District did not always comply with applicable Federal regulations and State rules relating to the sale of competitive food and beverage items.	Corrected	

EXHIBIT A
MANAGEMENT'S RESPONSE

St. Johns County School District
40 Orange Street
St. Augustine, Florida 32084
(904) 547-7500
www.stjohns.k12.fl.us

Joseph G. Joyner, Ed.D.
Superintendent



March 2, 2010

Mr. David W. Martin, CPA
Auditor General
Room 476A Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Re: St. Johns County District School Board's Written Response to the Preliminary and Tentative Audit Findings for the Fiscal Year Ended June 30, 2009

Dear Mr. Martin,

Below are our responses to the Preliminary and Tentative Audit Findings for Fiscal Year Ended June 30, 2009:

Finding No.1 Financial Reporting

District Response:

This adjustment is a reclass for presentation purposes and does not change the amount reported for the District's net assets. The District will continue to enhance procedures related to the reporting of financial information.

Federal Awards Finding No.1: Career and Technical Education – Basic Grants to States (CFDA No. 84.048)

District Response:

In accordance, with OMB Circular A-87, in the future, prior approval will be obtained in advance from the awarding agency for capital expenditures.

Sincerely,

Joseph G. Joyner, Ed.D.
Superintendent of Schools
St. Johns County School District

cc: School Board Members
Conley Weiss

The St. Johns County School District will inspire in all students a passion for lifelong learning, creating educated and caring contributors to the world.

School Board	Beverly Slough District 1	Tommy Allen District 2	Bill Mignon District 3	Bill Fehling District 4	Carla Wright District 5
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