REPORT NO. 2011-166
MARCH 2011

ST. JOHNS COUNTY DISTRICT SCHOOL BOARD

Financial, Operational, and Federal Single Audit

For the Fiscal Year Ended
June 30, 2010

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2009-10 fiscal year are listed below:

	District No.
Beverly Slough	1
Thomas L. Allen, Jr., Chair to 11-17-09	2
William P. Mignon, Sr., Vice Chair to 11-17-09, Chair from 11-18-09	3
William R. Fehling, Vice Chair from 11-18-09	4
Carla W. Wright	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) 487-9175; 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

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

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

ADDITIONAL MATTERS

Finding No. 1: District records did not evidence that the use of capital outlay tax levy moneys for insurance premiums was consistent with Section 1011.71(5), Florida Statutes.

Finding No. 2: District records did not sufficiently evidence that performance assessments of instructional personnel and school administrators were based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes.

Finding No. 3: The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes, and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes.

Finding No. 4: Controls could be enhanced to ensure compliance with Section 119.071(5)(a), Florida Statutes, regarding notifying individuals of the need for and use of social security numbers.

Finding No. 5: The District did not provide its three charter schools with their proportionate share of State and local funding, contrary to Section 1002.33(17)(b), Florida Statutes.

Finding No. 6: The District did not timely submit its group health self-insurance plan, along with a certification of actuarial soundness of the plan, to the Florida Department of Financial Services, Office of Insurance Regulation, contrary to Section 112.08(2)(b), Florida Statutes.

Summary of Report on Federal Awards

We audited the District's Federal awards for compliance with applicable Federal requirements. The Title I, Part A Cluster; Special Education Cluster; Technical Education - Basic Grants to State; Improving Teacher Quality State Grants; State Fiscal Stabilization Fund Cluster; and Head Start Cluster 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 noncompliance and control deficiency finding as summarized below.

Federal Awards Finding No. 1: The District had not established adequate procedures for monitoring Federal funds passed through to the First Coast Technical College to ensure compliance with applicable Federal requirements.

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. 2010-153.**

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, 2010. 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*.

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S
REPORT ON 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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal 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.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** (pages 3 through 10) and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** (pages 54 through 57) be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 17, 2011

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 52.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2009-10 fiscal year are as follows:

- The District's assets exceeded its liabilities at June 30, 2010, by $470,817,111.14 (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 $16,671,195.01.
- In total, net assets increased $13,170,870.40, which represents a 3 percent increase over the 2008-09 fiscal year.
- General revenues total $260,813,644.01, or 88 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions total $37,125,248.79, or 12 percent of all revenues.
- Expenses total $284,768,022.40. Only $37,125,248.79 of these expenses was offset by program specific revenues, with the remainder paid from general revenues. Total revenues exceeded total expenses by $13,170,870.40.
- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, was $54,800,260.80 at June 30, 2010, or 27 percent of total General Fund expenditures. The total fund balance of the General Fund was $57,366,153.09, which represents an increase over the 2008-09 fiscal year of $19,052,983.70.
- The District's capital asset-related long-term debt decreased by a net amount of $13,478,123.73, or 9 percent.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

In addition to the basic financial statements, the report also presents certain required supplementary information

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 – This represents most of the District's services, including its educational programs: basic, vocational, adult, and exceptional education. Support functions such as transportation and administration are also included. Local property taxes and the State's education finance program provide most of the resources that support these activities.
- Component units – The District presents aggregate financial information for three separate legal entities in this report: the ABLE School, Inc., charter school; the First Coast Technical Institute, Inc., d/b/a 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 (Leasing Corporation) that is also a legally separate entity. The Leasing Corporation was formed to facilitate financing for the acquisition of facilities and equipment for the District, as further discussed in Note 9. Due to the substantive economic relationship between the District and the Leasing Corporation, the Leasing Corporation has been included as an integral part of the primary government.

Over a period of time, changes in the District's net assets are an indication of improving or deteriorating financial conditions. 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 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 Special Revenue – ARRA Economic Stimulus 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. Budgetary comparison schedules have been provided for the General Fund and Special Revenue – ARRA Economic Stimulus 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 the self-insured portion of 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 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 uses its agency funds to account for resources held for student activities and groups.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2010, compared to net assets as of June 30, 2009:

Net Assets, End of Year

	Governmental Activities	
	6-30-10	6-30-09
Current and Other Assets	$ 185,108,006.58	$ 172,798,034.10
Capital Assets	502,411,801.57	505,119,614.90
Total Assets	687,519,808.15	677,917,649.00
Long-Term Liabilities	188,744,577.83	194,053,363.46
Other Liabilities	27,958,119.18	26,218,044.80
Total Liabilities	216,702,697.01	220,271,408.26
Net Assets:		
Invested in Capital Assets - Net of Related Debt	367,627,072.78	356,650,107.04
Restricted	86,518,843.35	92,284,613.29
Unrestricted	16,671,195.01	8,711,520.41
Total Net Assets	$ 470,817,111.14	$ 457,646,240.74

The largest portion of the District's net assets (78 percent) reflects its investment in capital assets (e.g., land; buildings; and 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 (18 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets (4 percent) may be used to meet the government's ongoing obligations to students, employees, and creditors.

The District's net assets increased by $13,170,870.40 during the 2009-10 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, 2010, and June 30, 2009, are as follows:

	Operating Results for the Year Ended	
	Governmental Activities	
	6-30-10	6-30-09
Program Revenues:		
Charges for Services	$ 18,056,846.82	$ 17,520,238.70
Operating Grants and Contributions	10,627,344.35	10,156,000.07
Capital Grants and Contributions	8,441,057.62	14,279,015.33
General Revenues:		
Property Taxes, Levied for Operational Purposes	134,871,190.85	135,767,674.33
Property Taxes, Levied for Debt Service	80,220.04	3,801,388.25
Property Taxes, Levied for Capital Projects	32,345,363.39	41,547,372.04
Grants and Contributions Not Restricted to Specific Programs	88,050,129.57	69,913,393.13
Unrestricted Investment Earnings	658,961.74	2,944,537.21
Miscellaneous	4,807,778.42	4,537,294.40
Total Revenues	297,938,892.80	300,466,913.46
Functions/Program Expenses:		
Instruction	149,605,023.99	130,868,119.65
Pupil Personnel Services	14,664,106.82	13,331,579.17
Instructional Media Services	4,403,526.32	4,326,422.47
Instruction and Curriculum Development Services	6,905,514.43	6,256,992.01
Instructional Staff Training Services	4,119,292.34	1,116,231.72
Instruction Related Technology	4,125,374.73	4,293,504.41
School Board	611,607.66	907,914.75
General Administration	1,239,831.27	709,971.12
School Administration	14,307,318.91	14,039,343.71
Facilities Acquisition and Construction	13,329,193.70	15,128,959.36
Fiscal Services	1,709,073.63	1,561,966.46
Food Services	10,099,703.41	9,745,405.95
Central Services	9,872,039.84	9,171,156.85
Pupil Transportation Services	11,601,229.86	11,006,461.75
Operation of Plant	19,687,577.80	19,089,150.40
Maintenance of Plant	8,321,679.42	7,385,181.07
Administrative Technology Services	989,901.77	615,646.14
Community Services	3,199,704.00	2,818,592.31
Unallocated Interest on Long-Term Debt	5,976,322.50	6,975,766.88
Unallocated Depreciation Expense		14,732,918.77
Total Functions/Program Expenses	284,768,022.40	274,081,284.95
Increase in Net Assets	$ 13,170,870.40	$ 26,385,628.51

The majority of the District's revenues for current operations are provided through the State's Florida Education Finance Program (FEFP), State educational program funding, Federal American Recovery and Reinvestment Act (ARRA) economic stimulus funding, and local property taxes. These revenues are included in the general revenues, which provide approximately 88 percent of total revenues, whereas program revenues provide approximately 12 percent. The majority of program revenues (87 percent) are in the facilities acquisition and construction, food services, central services, and pupil transportation services activities.

The FEFP 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. The District experienced reductions in program revenue – capital grants and contributions, property taxes levied for debt service, and property taxes levied for capital projects. The reduction in program revenue resulted mainly from a decrease in State capital outlay funding; property taxes levied for debt service decreased as a result of eliminating the debt service millage levy after retiring all outstanding District general obligation bonds; and property taxes levied for capital projects decreased as a result of a reduction in the assessed millage rate from 1.750 mills to 1.500 mills and decreasing property values.

Student full-time equivalent (FTE) enrollment increased by 840 students, from 28,834 in the 2008-09 fiscal year to 29,674 in the 2009-10 fiscal year. Grants and contributions not restricted to specific programs increased by $18,136,736.44 as compared to the prior fiscal year, mainly because of Federal ARRA economic stimulus funding and increased student enrollment.

Instructional activities represent the majority of the District's expenses, totaling approximately 48 and 53 percent, respectively, of total governmental expenses in the 2008-09 and 2009-10 fiscal years. Instruction expenses increased by $18,736,904.34, or 14 percent, mainly as a result of hiring additional teachers to address the increase in student enrollment and charging depreciation expense directly to functions rather than as unallocated. Overall, total expenses increased $10,686,737.45 or 4 percent, as compared to total revenues, which decreased $2,528,020.66, or less than 1 percent. The increase in total expenses is mainly attributable to an increase in salaries and benefits expenses.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance is $10,926,621.95, while the total fund balance is $57,366,153.09. The unreserved, undesignated fund balance represents 5 percent of total General Fund expenditures, while the total fund balance represents 28 percent of such expenditures. The unreserved, undesignated fund balance increased by $2,960,044.95, while the total fund balance increased by $19,052,983.70 during the fiscal year. Unreserved, designated fund balance increased by $15,112,033.64, representing management's planned use of available fund balance to offset budget cuts in the 2010-11 fiscal year, and the carryover of program, school, department, and other activity budget moneys.

Key factors in these changes are as follows:

- Total expenditures decreased by $7,970,207.74, or 4 percent, due mainly to a decrease in salary and benefit costs. The decrease in salary and benefits costs in the General Fund was more than offset by an increase in expenditures of Federal stimulus funding in the Special Revenue – ARRA Economic Stimulus Fund.
- Total revenues exceeded total expenditures by $10,463,339.55 and net other financing sources, mainly from transfers in from the Capital Projects - Local Capital Improvement Fund, totaling $8,589,644.15.

The Special Revenue – ARRA Economic Stimulus Fund is used to account for ARRA Federal funding. Because grant revenues are not recognized until expenditures are incurred, this fund does not maintain a fund balance. For the 2009-10 fiscal year, revenues and expenditures totaled $15,379,749.63. As noted above, these expenditures more than offset the decrease in General Fund expenditures of $7,970,207.74.

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 2009-10 fiscal year, all available resources were used for current debt-related expenditures.

The Capital Projects – Local Capital Improvement Fund has a total fund balance of $45,849,066.55, which is restricted for the acquisition, construction, and maintenance of capital assets. Of the total fund balance, $4,273,294.82 has been encumbered for specific projects. The fund balance decreased by $1,632,684.25 in the current fiscal year.

Expenditures of $10,763,258.92 were primarily for motor vehicle purchases and equipment, and various maintenance, remodeling, and renovation projects. Transfers out of $23,419,798.09 were mainly to fund educational plant maintenance, property insurance, 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 increased by $4,161,199.58 in the current fiscal year to $28,816,972.02, at June 30, 2010. Expenditures of $853,957.98 were primarily for various maintenance, remodeling, and renovation projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2009-10 fiscal year, the District amended its General Fund budget several times, which resulted in an increase in total budgeted revenues of $13,177,527.00. At the same time, final appropriations increased by $18,428,532.39 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 salaries and benefits costs, and to adjust planned expenditures based on actual resource needs.

Actual revenues are in line with the final budgeted amounts. Actual expenditures are $22,909,220.16 less than anticipated, mainly because instruction, operation of plant, community services, and day care and extended day care program expenditures were less than planned. Also, positive budget balances include amounts designated for budget cuts and carryover of 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, 2010, is $502,411,801.57 (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.

Additional information on the District's capital assets can be found in Notes 5 and 19 to the financial statements.

Long-Term Debt

At June 30, 2010, the District has total long-term debt outstanding of $137,659,419.75 related to the construction and acquisition of capital assets. This amount is comprised of $289,419.75 of obligation under capital lease; $129,210,000 of certificates of participation; and $8,160,000 of State school bonds. During the fiscal year, the District's long-term debt decreased a net amount of $13,478,123.73, or 9 percent from scheduled principal payments.

Additional information on the District's long-term debt can be found in Notes 7 through 11 to the financial statements.

FIRST COAST TECHNICAL COLLEGE, MAJOR COMPONENT UNIT

The District considers the 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 postsecondary education and workforce development programs. FCTC was funded through the District's $5,567,266 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 22 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, 2010, 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 and academic achievements. 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, 2010

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash	$ 160,090,663.94	$ 2,130,585.00
Restricted Investments	12,616,816.88	
Investments	224,803.14	51,293.00
Accounts Receivable, Net	604,231.51	294,819.00
Due from Primary Government		802,715.00
Due from Other Agencies	10,675,533.61	
Due from Excess Insurance Carrier	393,513.76	
Prepaid Items		2,486.00
Pledges Receivable		52,726.00
Inventories	502,443.74	107,900.00
Capital Assets:		
Nondepreciable Capital Assets	35,093,735.13	
Depreciable Capital Assets, Net	467,318,066.44	2,514,144.00
TOTAL ASSETS	$ 687,519,808.15	$ 5,956,668.00
LIABILITIES		
Salaries and Benefits Payable	$ 3,091,718.26	$ 63,336.00
Accounts Payable	6,695,401.89	142,553.00
Matured Certificates of Participation Payable	9,585,000.00	
Matured Interest Payable	3,031,816.88	
Construction Contracts Payable	1,297,382.31	
Construction Contracts Payable - Retainage	54,772.35	
Due to Component Units	802,715.00	
Due to Other Agencies	132,310.65	
Deposits Payable	153,441.84	
Deferred Revenue		314,386.00
Estimated Insurance Claims Payable	3,113,560.00	
Long-Term Liabilities:		
Portion Due Within One Year	12,803,413.49	145,106.00
Portion Due After One Year	175,941,164.34	870,979.00
Total Liabilities	216,702,697.01	1,536,360.00
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	367,627,072.78	2,508,926.00
Restricted for:		
State Required Carryover Programs	424,088.22	
Food Service	1,164,520.76	
Debt Service	224,803.14	
Capital Projects	84,705,431.23	
Other Purposes		401,127.00
Unrestricted	16,671,195.01	1,510,255.00
Total Net Assets	470,817,111.14	4,420,308.00
TOTAL LIABILITIES AND NET ASSETS	$ 687,519,808.15	$ 5,956,668.00

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, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Instruction	$ 149,605,023.99	$ 774,672.43	$	$
Pupil Personnel Services	14,664,106.82			
Instructional Media Services	4,403,526.32			
Instruction and Curriculum Development Services	6,905,514.43			
Instructional Staff Training Services	4,119,292.34			
Instruction Related Technology	4,125,374.73			
School Board	611,607.66			
General Administration	1,239,831.27			
School Administration	14,307,318.91			
Facilities Acquisition and Construction	13,329,193.70			7,499,773.38
Fiscal Services	1,709,073.63			
Food Services	10,099,703.41	6,672,952.92	3,517,300.35	
Central Services	9,872,039.84	6,957,621.77		
Pupil Transportation Services	11,601,229.86	611,252.08	7,110,044.00	
Operation of Plant	19,687,577.80			
Maintenance of Plant	8,321,679.42			
Administrative Technology Services	989,901.77			
Community Services	3,199,704.00	3,040,347.62		
Unallocated Interest on Long-Term Debt	5,976,322.50			941,284.24
Total Primary Government	$ 284,768,022.40	$ 18,056,846.82	$ 10,627,344.35	$ 8,441,057.62
Component Units				
First Coast Technical College	10,824,198.00	2,450,235.00	1,555,122.00	514,250.00
Nonmajor Component Units	1,406,841.00	33,104.00		73,070.00
Total Component Units	$ 12,231,039.00	$ 2,483,339.00	$ 1,555,122.00	$ 587,320.00

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

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	Component Units
Governmental Activities	
$ (148,830,351.56)	$
(14,664,106.82)	
(4,403,526.32)	
(6,905,514.43)	
(4,119,292.34)	
(4,125,374.73)	
(611,607.66)	
(1,239,831.27)	
(14,307,318.91)	
(5,829,420.32)	
(1,709,073.63)	
90,549.86	
(2,914,418.07)	
(3,879,933.78)	
(19,687,577.80)	
(8,321,679.42)	
(989,901.77)	
(159,356.38)	
(5,035,038.26)	
(247,642,773.61)	
	(6,304,591.00)
	(1,300,667.00)
	(7,605,258.00)
134,871,190.85	
80,220.04	
32,345,363.39	
88,050,129.57	8,089,681.00
658,961.74	13,006.00
4,807,778.42	
260,813,644.01	8,102,687.00
13,170,870.40	497,429.00
457,646,240.74	3,922,879.00
$ 470,817,111.14	$ 4,420,308.00

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Debt Service - Other Debt Service Fund
ASSETS			
Cash	$ 62,974,848.73	$ 325,481.55	$
Restricted Investments			12,616,816.88
Investments			
Accounts Receivable	72,715.13		
Due from Other Funds	599,396.82		
Due from Component Units	14,574.13		
Due from Other Agencies	175,341.21	339,533.92	
Inventories	348,807.52		
TOTAL ASSETS	$ 64,185,683.54	$ 665,015.47	$ 12,616,816.88
LIABILITIES AND FUND BALANCES			
Salaries and Benefits Payable	$ 2,771,242.67	$ 149,745.84	$
Accounts Payable	3,421,571.55	245,786.17	
Matured Certificates of Participation Payable			9,585,000.00
Matured Interest Payable			3,031,816.88
Construction Contracts Payable	117,333.69		
Construction Contracts Payable - Retainage			
Due to Component Units	473,431.54	269,483.46	
Due to Other Agencies	1,951.00		
Due to Other Funds	34,000.00		
Deposits Payable			
Total Liabilities	6,819,530.45	665,015.47	12,616,816.88
Fund Balances:			
Reserved for:			
State Required Carryover Programs	424,088.22		
Encumbrances	1,792,996.55		
Inventories	348,807.52		
Debt Service			
Unreserved:			
Designated, Reported in General Fund:			
Financial Contingencies	35,656,817.87		
Grants and Activities	8,216,820.98		
Undesignated, Reported in:			
General Fund	10,926,621.95		
Special Revenue Funds			
Capital Projects Funds			
Total Fund Balances	57,366,153.09		
TOTAL LIABILITIES AND FUND BALANCES	$ 64,185,683.54	$ 665,015.47	$ 12,616,816.88

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 Governmental Funds	Total Governmental Funds
$ 46,482,797.16	$ 28,604,600.00	$ 6,195,682.71	$ 144,583,410.15
			12,616,816.88
		224,803.14	224,803.14
		5,133.62	77,848.75
			599,396.82
			14,574.13
	435,241.21	9,725,417.27	10,675,533.61
		153,636.22	502,443.74
$ 46,482,797.16	$ 29,039,841.21	$ 16,304,672.96	$ 169,294,827.22
$	$	$ 170,729.75	$ 3,091,718.26
		113,299.19	3,780,656.91
			9,585,000.00
			3,031,816.88
633,730.61	222,869.19	323,448.82	1,297,382.31
		54,772.35	54,772.35
		74,374.13	817,289.13
		130,359.65	132,310.65
		500,776.39	534,776.39
		153,441.84	153,441.84
633,730.61	222,869.19	1,521,202.12	22,479,164.72
			424,088.22
4,273,294.82	449,265.19	5,760,784.59	12,276,341.15
		153,636.22	502,443.74
		224,803.14	224,803.14
			35,656,817.87
			8,216,820.98
			10,926,621.95
		980,444.97	980,444.97
41,575,771.73	28,367,706.83	7,663,801.92	77,607,280.48
45,849,066.55	28,816,972.02	14,783,470.84	146,815,662.50
$ 46,482,797.16	$ 29,039,841.21	$ 16,304,672.96	$ 169,294,827.22

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total Fund Balances - Governmental Funds		$ 146,815,662.50
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.		502,411,801.57
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.		8,990,558.59
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:		
Note Payable	$ 480,063.32	
Obligation Under Capital Lease	289,419.75	
Bonds Payable	8,160,000.00	
Certificates of Participation Payable	129,210,000.00	
Other Postemployment Benefits Payable	28,989,317.00	
Compensated Absences Payable	20,470,893.76	(187,599,693.83)
Total Net Assets - Governmental Activities		$ 470,817,111.14

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, 2010

	General Fund	Special Revenue - ARRA Economic Stimulus Fund	Debt Service - Other Debt Service Fund	Capital Projects - Local Capital Improvement Fund	Capital Projects - Other Capital Projects Fund
Revenues					
Intergovernmental:					
Federal Direct	$ 320,040.57	$ 46,985.55	$	$	$
Federal Through State and Local		15,332,764.08			
State	69,692,312.78				73,416.51
Local:					
Property Taxes	134,871,190.85			32,345,363.39	
Impact Fees					4,199,094.78
Charges for Services - Food Service					
Miscellaneous	8,897,567.28		11.69	205,009.37	580,331.14
Total Revenues	213,781,111.48	15,379,749.63	11.69	32,550,372.76	4,852,842.43
Expenditures					
Current - Education:					
Instruction	118,282,258.83	10,762,138.81			
Pupil Personnel Services	10,999,020.27	318,523.23			
Instructional Media Services	3,903,255.60				
Instruction and Curriculum Development Services	3,137,646.35	1,296,959.72			
Instructional Staff Training Services	998,971.94	1,593,804.31			
Instruction Related Technology	3,749,833.91	1,473.00			
School Board	573,530.60				
General Administration	335,557.25	501,597.14			
School Administration	12,641,011.14				
Facilities Acquisition and Construction	4,582,224.99			6,573,781.54	547,018.00
Fiscal Services	1,528,169.31				
Food Services					
Central Services	2,575,901.82				
Pupil Transportation Services	9,907,738.51	2,040.25			
Operation of Plant	18,589,933.55				
Maintenance of Plant	7,564,696.02	24,936.44			
Administrative Technology Services	641,161.60	275,000.00			
Community Services	2,816,474.26				
Fixed Capital Outlay:					
Facilities Acquisition and Construction	213,538.50			4,107,572.94	306,939.98
Other Capital Outlay	276,847.48	603,276.73			
Debt Service:					
Principal			9,585,000.00	68,123.73	
Interest and Fiscal Charges			6,073,133.76	13,780.71	
Total Expenditures	203,317,771.93	15,379,749.63	15,658,133.76	10,763,258.92	853,957.98
Excess (Deficiency) of Revenues Over Expenditures	10,463,339.55		(15,658,122.07)	21,787,113.84	3,998,884.45
Other Financing Sources (Uses)					
Transfers In	8,394,973.49		15,658,100.09		162,315.13
Bonds and Refunding Bonds Issued					
Premium on Bonds and Refunding Bonds Issued					
Payment to Refunded Bond Escrow Agent					
Inception of Note	480,063.32				
Proceeds from Sale of Capital Assets	28,038.85				
Insurance Loss Recoveries	3,618.69				
Transfers Out	(317,050.20)			(23,419,798.09)	
Total Other Financing Sources (Uses)	8,589,644.15		15,658,100.09	(23,419,798.09)	162,315.13
Net Change in Fund Balances	19,052,983.70		(21.98)	(1,632,684.25)	4,161,199.58
Fund Balances, Beginning	38,313,169.39		21.98	47,481,750.80	24,655,772.44
Fund Balances, Ending	$ 57,366,153.09	$ 0.00	$ 0.00	$ 45,849,066.55	$ 28,816,972.02

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

Other Governmental Funds	Total Governmental Funds
$ 1,009,402.28	$ 1,376,428.40
12,237,071.10	27,569,835.18
1,564,016.59	71,329,745.88
80,220.04	167,296,774.28
	4,199,094.78
6,672,952.92	6,672,952.92
114,079.06	9,796,998.54
21,677,741.99	288,241,829.98
4,809,635.52	133,854,033.16
1,679,224.47	12,996,767.97
	3,903,255.60
1,671,721.78	6,106,327.85
1,087,213.75	3,679,990.00
	3,751,306.91
	573,530.60
362,235.27	1,199,389.66
	12,641,011.14
1,471,834.78	13,174,859.31
	1,528,169.31
9,448,372.70	9,448,372.70
33,428.79	2,609,330.61
137,320.22	10,047,098.98
338.12	18,590,271.67
24,744.61	7,614,377.07
	916,161.60
	2,816,474.26
4,057,564.38	8,685,615.80
87,478.96	967,603.17
4,385,000.00	14,038,123.73
454,356.32	6,541,270.79
29,710,469.67	275,683,341.89
(8,032,727.68)	12,558,488.09
317,050.20	24,532,438.91
1,540,000.00	1,540,000.00
108,355.02	108,355.02
(1,003,470.05)	(1,003,470.05)
	480,063.32
	28,038.85
	3,618.69
(795,590.62)	(24,532,438.91)
166,344.55	1,156,605.83
(7,866,383.13)	13,715,093.92
22,649,853.97	133,100,568.58
$ 14,783,470.84	$ 146,815,662.50

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, 2010

Net Change in Fund Balances - Governmental Funds		$ 13,715,093.92
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	$ 9,653,218.97	
Depreciation Expense	(15,004,459.60)	(5,351,240.63)
Capital assets donated to the District increase net assets in the government-wide financial statements, but are not financial resources and, therefore, are not reported in the governmental funds. This is the value of land donated by developers and other donated assets during the current period.		2,643,427.30
Issuing long-term bonded debt is an other financing source in the governmental funds, but issuing new debt increases long-term liabilities in the statement of net assets. Refunding debt is an other financing use in the governmental funds, but decreases liabilities in the statement of net assets. This is the amount of long-term debt that was issued and refunded during the current period:		
State Board of Education Bonds and Refunding Bonds Issued	$ (1,540,000.00)	
State Board of Education Bonds Refunded	980,000.00	
Inception of Note	(480,063.32)	(1,040,063.32)
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 repaid in the current period:		
Certificates of Participation Payable	$ 9,585,000.00	
Bonds Payable	4,385,000.00	
Capital Lease Payable	68,123.73	14,038,123.73
In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for compensated absences. This is the net amount of compensated absences used in excess of the amount earned in the current period.		189,974.22
Other postemployment benefits costs are recorded in the statement of activities under the full accrual method, but in the governmental funds when due. This is the net increase in the other postemployment benefits liability for the current fiscal year.		(9,024,335.00)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of internal service funds is reported with governmental activities.		(2,000,109.82)
Change in Net Assets - Governmental Activities		$ 13,170,870.40

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, 2010

		Governmental Activities - Internal Service Funds
ASSETS		
Current Assets:		
Cash	$	15,507,253.79
Accounts Receivable		262,980.02
Due From Excess Insurance Carrier		393,513.76
TOTAL ASSETS	$	16,163,747.57
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	2,914,744.98
Estimated Insurance Claims Payable		3,872,555.94
Total Current Liabilities		6,787,300.92
Noncurrent Liabilities:		
Estimated Insurance Claims Payable		385,888.06
TOTAL LIABILITIES		7,173,188.98
NET ASSETS		
Unrestricted		8,990,558.59
TOTAL LIABILITIES AND NET ASSETS	$	16,163,747.57

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, 2010

	Governmental Activities - Internal Service Funds
OPERATING REVENUES	
Insurance Premiums	$ 31,786,650.00
OPERATING EXPENSES	
Insurance Claims	27,426,251.58
Excess Insurance Premiums	1,235,469.91
Employee Disability Purchased Insurance	178,086.69
Fees and Other	5,011,307.85
Total Operating Expenses	33,851,116.03
Operating Loss	(2,064,466.03)
NONOPERATING REVENUES	
Interest	64,356.21
Change in Net Assets	(2,000,109.82)
Total Net Assets - Beginning	10,990,668.41
Total Net Assets - Ending	$ 8,990,558.59

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, 2010

		Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Board Funds and Participants	$	31,786,650.00
Cash Payments to Vendors for Goods and Services		(8,199,037.26)
Cash Payments for Insurance Claims		(28,428,892.58)
Net Cash Used by Operating Activities		(4,841,279.84)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income		64,356.21
Net Cash Provided by Investing Activities		64,356.21
Net Decrease in Cash		(4,776,923.63)
Cash, Beginning of Year		20,284,177.42
Cash, End of Year	$	15,507,253.79
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	$	(2,064,466.03)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Increase in Accounts Receivable		(186,362.97)
Increase in Due from Excess Insurance Carrier		(178,400.07)
Decrease in Due from Other Funds		4,304.72
Decrease in Accounts Payable		(1,413,714.49)
Decrease in Estimated Insurance Claims Payable		(1,002,641.00)
Total Adjustments		(2,776,813.81)
Net Cash Used by Operating Activities	$	(4,841,279.84)

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

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - FIDUCIARY FUNDS
June 30, 2010

		Agency Funds
ASSETS		
Cash	$	3,188,098.00
TOTAL ASSETS	$	3,188,098.00
LIABILITIES		
Due to Other Funds	$	64,620.43
Internal Accounts Payable		3,123,477.57
TOTAL LIABILITIES	$	3,188,098.00

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, 2010

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 (District) is considered part of the Florida system of public education. The governing body of the District is the St. Johns County District School Board (Board), which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the Board. Geographic boundaries of the District correspond with those of St. 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 Board is financially accountable and other organizations for which the nature and significance of their relationship with the Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

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

- Blended Component Unit. The St. Johns County School Board Leasing Corporation (Leasing Corporation) was formed to facilitate financing for the acquisition of facilities and equipment as further discussed in Note 9. Due to the substantive economic relationship between the District and the Leasing Corporation, the financial activities of the Leasing Corporation are included in the accompanying basic financial statements. Separate financial statements for the Leasing Corporation are not published.

- Discretely Presented Component Units. The component 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 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, 2010. 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, i.e., the statement of net assets and the statement of activities, present information about the 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 is allocated to the various expense functions based on actual and estimated usage of the assets in those functions.

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 for 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.
- Special Revenue – ARRA Economic Stimulus Fund – to account for certain Federal grant program resources related to the American Recovery and Reinvestment Act (ARRA).
- 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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- 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 (for claims incurred prior to June 30, 2008).
- 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.

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, other postemployment 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 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

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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 the repayment of certificates of participation principal and interest, all of which is payable on July 1, 2010, 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 donated foods are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than when purchased.

- **Capital Assets**

Expenditures for capital assets acquired or constructed for general District purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net 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

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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:

Description	Estimated Lives
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:

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

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

- **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net assets.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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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**

Significant revenues from State sources for current operations include 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 five 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 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 educational programs. The Department generally requires that these educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical and earmarked educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the District on an annual basis. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the 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 Board adopted the 2009 tax levy on September 8, 2009. 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

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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 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 financial 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.
- 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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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3. INVESTMENTS

As of June 30, 2010, the District has the following investments and maturities:

Investments	Maturities	Fair Value
Dreyfus Treasury Prime Cash Management Fund (1)	51 Day Average	$ 12,616,816.88
State Board of Administration (SBA)		
Debt Service Accounts	6 Months	224,803.14
Total Investments, Primary Government		$ 12,841,620.02

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 9).

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 SBA Local Government Surplus Funds Trust Fund Investment Pool, which effective July 1, 2009, is known as Florida PRIME, 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 in 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, 2010, 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 interest rate risk and credit risk for this account.

4. DUE FROM OTHER AGENCIES

The amounts due from other agencies primarily consists of $8,909,691 due from the Florida Department of Education in the other governmental funds, Capital Projects – Public Education Capital Outlay Fund, for

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construction, renovation, remodeling, and repair projects of District facilities and may not be entirely collected within one year. The remaining amounts primarily represent amounts due from the Florida Department of Education for reimbursement of Federal grant expenditures.

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 7-1-09	Additions	Deletions	Balance 6-30-10
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	$ 32,206,210.33	$ 2,277,500.00	$	$ 34,483,710.33
Construction in Progress	273,680.50	3,713,735.02	3,377,390.72	610,024.80
Total Capital Assets Not Being Depreciated	32,479,890.83	5,991,235.02	3,377,390.72	35,093,735.13
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	24,699,194.46	96,111.00		24,795,305.46
Buildings and Fixed Equipment	550,130,842.60	5,915,766.54		556,046,609.14
Furniture, Fixtures, and Equipment	29,320,903.15	1,601,365.17	2,149,137.58	28,773,130.74
Motor Vehicles	15,430,461.71	1,688,626.00	444,570.58	16,674,517.13
Property Under Capital Lease	667,231.00			667,231.00
Audio Visual Materials and Computer Software	4,357,809.53	380,933.26	426,104.76	4,312,638.03
Total Capital Assets Being Depreciated	624,606,442.45	9,682,801.97	3,019,812.92	631,269,431.50
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	11,900,831.87	585,359.36		12,486,191.23
Buildings and Fixed Equipment	104,410,466.24	10,485,810.39		114,896,276.63
Furniture, Fixtures, and Equipment	23,097,811.53	2,522,156.57	2,149,137.58	23,470,830.52
Motor Vehicles	8,193,230.80	1,138,115.51	444,570.58	8,886,775.73
Property Under Capital Lease	400,338.62	61,162.84		461,501.46
Audio Visual Materials and Computer Software	3,964,039.32	211,854.93	426,104.76	3,749,789.49
Total Accumulated Depreciation	151,966,718.38	15,004,459.60	3,019,812.92	163,951,365.06
Total Capital Assets Being Depreciated, Net	472,639,724.07	(5,321,657.63)		467,318,066.44
Governmental Activities Capital Assets, Net	$ 505,119,614.90	$ 669,577.39	$ 3,377,390.72	$ 502,411,801.57

The class of property under capital lease is presented in Note 8.

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	Balance 7-1-09	Additions	Deletions	Balance 6-30-10
MAJOR COMPONENT UNIT - FIRST COAST TECHNICAL COLLEGE				
Capital Assets Being Depreciated:				
Furniture, Fixtures, and Equipment	$ 2,282,554	$ 66,860	$ 144,665	$ 2,204,749
Motor Vehicles	94,721			94,721
Leasehold Improvements	1,788,385	264,127	75,470	1,977,042
Total Capital Assets Being Depreciated	4,165,660	330,987	220,135	4,276,512
Less Accumulated Depreciation for:				
Furniture, Fixtures, and Equipment	1,096,511	176,759	132,536	1,140,734
Motor Vehicles	69,903	11,800		81,703
Leasehold Improvements	485,423	127,103	10,063	602,463
Total Accumulated Depreciation	1,651,837	315,662	142,599	1,824,900
Major Component Unit Capital Assets, Net	$ 2,513,823	$ 15,325	$ 77,536	$ 2,451,612

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Depreciation expense was charged to functions as follows:

Function	Amount
GOVERNMENTAL ACTIVITIES	
Instruction	$ 8,661,845.39
Pupil Personnel Services	940,063.71
Instructional Media Services	287,292.91
Instruction and Curriculum Development Services	451,296.38
Instructional Staff Training Services	249,530.31
Instruction Related Technology	211,668.27
School Board	21,474.29
General Administration	22,849.06
School Administration	940,892.42
Facilities Acquisition and Construction	86,936.99
Fiscal Services	102,290.32
Food Services	397,302.92
Central Services	173,778.67
Pupil Transportation Services	1,138,115.51
Operation of Plant	620,549.32
Maintenance of Plant	402,286.42
Administrative Technology Services	57,843.30
Community Services	238,443.42
Total Depreciation Expense - Governmental Activities	$ 15,004,459.61
MAJOR COMPONENT UNIT - FIRST COAST TECHNICAL COLLEGE	
Instruction	$ 85,907.00
Pupil Personnel Services	36,694.00
School Administration	5,764.00
Central Services	1,836.00
Operation of Plant	37,734.00
Maintenance of Plant	144,396.00
Community Services	3,331.00
Total Depreciation Expense - Major Component Unit	$ 315,662.00

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JUNE 30, 2010

6. DUE TO COMPONENT UNITS

The $802,715 reported as due to component units represents amounts due to the First Coast Technical College (FCTC), mainly to provide certain capital outlay and Federal program funding from the District to FCTC.

7. NOTE PAYABLE

The Board entered into an interest-free financing agreement dated August 19, 2009, to purchase instructional materials. The final note payable amount of $480,063.32 will be expensed as of June 30, 2011.

8. 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 follows:

Fiscal Year Ending June 30	Total	Principal	Interest
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
Total Minimum Lease Payments	$ 313,967.02	$ 289,419.75	$ 24,547.27

9. CERTIFICATES OF PARTICIPATION

Certificates of Participation at June 30, 2010, are as follows:

Series	Amount Outstanding	Interest Rates (Percent)	Lease Term Maturity	Original Amount
Series 2003A	$ 14,055,000	2.90 - 4.10	2018	$ 23,230,000
Series 2006	115,155,000	3.85 - 5.25	2021	145,000,000
Total Certificates of Participation	$ 129,210,000			

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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 (Leasing 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 a ground leases on District properties to the Leasing 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:

Certificates	Lease Term
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:

Certificates	Description of Properties
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

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:

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Fiscal Year Ending June 30	Total	Principal	Interest
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	15,645,156	11,670,000	3,975,156
2016-2020	74,087,409	62,250,000	11,837,409
2021	13,568,600	12,970,000	598,600
Total Minimum Lease Payments	$ 165,889,840	$ 129,210,000	$ 36,679,840

10. BONDS PAYABLE

Bonds payable at June 30, 2010, are as follows:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State School Bonds:			
Series 2003A	$ 435,000	3.00 - 4.25	2023
Series 2004A	620,000	3.350 - 4.625	2024
Series 2005A	220,000	4.0 - 5.0	2025
Series 2005B, Refunding	3,615,000	5.0	2020
Series 2006A	450,000	4.000 - 4.625	2026
Series 2008A	1,370,000	3.50 - 5.00	2028
Series 2009A, Refunding	835,000	3.0 - 5.0	2019
Series 2009A	615,000	3.0 - 5.0	2029
Total Bonds Payable	$ 8,160,000		

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

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Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
State School Bonds:			
2011	$ 941,627.50	$ 560,000.00	$ 381,627.50
2012	952,122.50	595,000.00	357,122.50
2013	955,060.00	625,000.00	330,060.00
2014	961,428.75	660,000.00	301,428.75
2015	945,053.75	675,000.00	270,053.75
2016-2020	3,889,985.00	3,050,000.00	839,985.00
2021-2025	1,645,093.75	1,315,000.00	330,093.75
2026-2029	747,418.75	680,000.00	67,418.75
Total State School Bonds	$ 11,037,790.00	$ 8,160,000.00	$ 2,877,790.00

11. CHANGES IN LONG-TERM LIABILITIES

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

Description	Balance 7-1-09	Additions and Adjustments	Deductions	Balance 6-30-10	Due In One Year
GOVERNMENTAL ACTIVITIES					
Estimated Insurance Claims Payable	$ 2,289,970.00	$ (759,197.94)	$ 385,888.06	$ 1,144,884.00	$ 385,888.06
Note Payable		480,063.32		480,063.32	480,063.32
Obligation Under Capital Lease	357,543.48		68,123.73	289,419.75	71,054.79
Bonds Payable	11,985,000.00	1,540,000.00	5,365,000.00	8,160,000.00	560,000.00
Certificates of Participation Payable	138,795,000.00		9,585,000.00	129,210,000.00	9,940,000.00
Compensated Absences Payable	20,660,867.98	1,656,496.42	1,846,470.64	20,470,893.76	1,846,470.64
Other Postemployment Benefits Payable	19,964,982.00	10,757,080.00	1,732,745.00	28,989,317.00	
Total Governmental Activities	$ 194,053,363.46	$ 13,674,441.80	$ 18,983,227.43	$ 188,744,577.83	$ 13,283,476.81
MAJOR COMPONENT UNIT					
Compensated Absences Payable	$ 1,113,159.00	$ 72,207.00	$ 169,281.00	$ 1,016,085.00	$ 145,106.00

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 other postemployment benefits are generally liquidated with the resources of the General Fund and special revenue funds.

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12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

Funds	Interfund	
	Receivables	Payables
Major:		
General	$ 599,396.82	$ 34,000.00
Nonmajor Governmental		500,776.39
Agency		64,620.43
Total	$ 599,396.82	$ 599,396.82

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.

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

Funds	Interfund	
	Transfers In	Transfers Out
Major:		
General	$ 8,394,973.49	$ 317,050.20
Debt Service - Other Debt Service	15,658,100.09	
Capital Projects:		
Local Capital Improvement		23,419,798.09
Other Capital Projects	162,315.13	
Nonmajor Governmental	317,050.20	795,590.62
Total	$24,532,438.91	$24,532,438.91

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 and maintenance departments. The transfers out of the nonmajor governmental fund were to reimburse the General Fund for expenses related to school food service operations and to transfer remaining debt service funds to the Capital Projects - Other Capital Projects Fund after making the final District General Obligation Bonds principal and interest payment. The transfer out of 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.

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13. RESERVE FOR ENCUMBRANCES

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

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 2010-11 fiscal year budget as a result of purchase orders outstanding at June 30, 2010.

Because revenues of grants accounted for in the Special Revenue - ARRA Economic Stimulus Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders and unperformed contract commitments outstanding for grants accounted for in the Special Revenue - ARRA Economic Stimulus Fund total approximately $900,000 at June 30, 2010, primarily related to the outstanding portion of a contract for a new enterprise resource planning system.

14. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the District's State revenue for the 2009-10 fiscal year:

Source	Amount
Categorical Educational Program - Class Size Reduction	$ 31,340,215.00
Florida Education Finance Program:	
Transportation	7,110,044.00
Instructional Materials	2,563,766.00
Florida Teachers Lead	382,348.00
Other	20,378,266.93
Workforce Development Program	5,567,266.00
School Recognition	1,704,054.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,148,097.54
Gross Receipts Tax (Public Education Capital Outlay)	362,703.00
Adults With Disabilities	98,150.20
Discretionary Lottery Funds	83,726.00
Food Service Supplement	70,240.00
Mobile Home License Tax	64,801.58
Miscellaneous	456,067.63
Total	$ 71,329,745.88

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

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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15. PROPERTY TAXES

The following is a summary of millages and taxes levied on the 2009 tax roll and amounts budgeted and collected for the 2009-10 fiscal year:

	Millages	Taxes		
		Levied	Budgeted (1) (2)	Collected (2)
GENERAL FUND				
Nonvoted School Tax:				
Required Local Effort	5.303	$ 115,199,914.32	$ 111,084,963.40	$ 111,084,963.40
Basic Discretionary Local Effort	0.748	16,249,207.44	15,668,849.82	15,668,849.82
Critical Operating Needs	0.250	5,430,884.84	5,236,914.85	5,236,914.85
CAPITAL PROJECTS FUNDS				
Nonvoted Tax:				
Local Capital Improvements	1.500	32,585,309.05	31,421,376.31	31,421,376.31
Total	7.801	$ 169,465,315.65	$ 163,412,104.38	$ 163,412,104.38

Notes: (1) The District initially 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. The final budgeted amounts represent the Board-approved budget, as amended.

(2) The budgeted and collected columns do not include delinquent tax receipts reported as revenue in the 2009-10 fiscal year to satisfy prior years' unpaid taxes.

16. 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 Florida 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.

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.

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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.

FRS Retirement Contribution Rates

The Florida Legislature establishes, and may amend, contribution rates for each membership class of FRS. During the 2009-10 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
Employees Terminated from DROP and FRS	0.00	1.11
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 to the Plan for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled $12,928,909.12, $12,301,221.90, and $12,335,849.53, respectively, which were equal to the required contributions for each fiscal year. There were 479 PEORP participants during the 2009-10 fiscal year. Required contributions made to PEORP totaled $1,534,070.62.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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17. 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 termination 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 $1,033,889 during the 2009-10 fiscal year.

18. OTHER POSTEMPLOYMENT BENEFITS PAYABLE

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the District. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the District 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 Plan does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System or another entity.

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. The District has not advance-funded or established a funding methodology for the annual other postemployment benefit

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(OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 337 retirees received other postemployment benefits. The District provided required contributions of $1,732,745 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, net of retiree contributions totaling $1,464,499. Retiree contributions represent 1.2 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 fiscal year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Description	Amount
Normal Cost (service cost for one year)	$ 6,121,929
Amortization of Unfunded Actuarial Accrued Liability	4,396,137
Interest on Normal Cost and Amortization	208,299
Annual Required Contribution	10,726,365
Interest on Net OPEB Obligation	798,599
Adjustment to Annual Required Contribution	(767,884)
Annual OPEB Cost (Expense)	10,757,080
Contribution Toward the OPEB Cost	(1,732,745)
Increase in Net OPEB Obligation	9,024,335
Net OPEB Obligation, Beginning of Year	19,964,982
Net OPEB Obligation, End of Year	$ 28,989,317

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, 2010, and the preceding two years, were as follows:

Fiscal Year	Annual OPEB Cost	Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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
2009-10	10,757,080	1,732,745	16.1%	28,989,317

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Funded Status and Funding Progress. As of January 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was $112,079,956, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $112,079,956, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $121,342,166, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 92.4 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 January 1, 2009, OPEB actuarial valuation used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the District's 2009-10 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 9 percent initially for the 2009-10 fiscal year, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after eight 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, 2010, was 25 years.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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19. 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
Mill Creek Elementary Expansion:			
Architect	$ 268,800.00	$ 205,927.68	$ 62,872.32
Contractor	3,289,000.00	172,815.98	3,116,184.02
Hickory Creek Elementary Expansion:			
Architect	138,915.00	104,186.25	34,728.75
Contractor	1,749,000.00	77,836.00	1,671,164.00
Total	$ 5,445,715.00	$ 560,765.91	$ 4,884,949.09

20. 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 school 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.

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A liability in the amount of $3,113,560 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2010, 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
2008-09	$ 2,923,148.00	$ 25,108,815.94	$ (25,060,848.94)	$ 2,971,115.00
2009-10	2,971,115.00	28,185,449.52	(28,043,004.52)	3,113,560.00

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 $1,144,884 was actuarially determined to cover the District's liability at June 30, 2010 (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
2008-09	$ 2,711,000.00	$ 238,718.50	$ (659,748.50)	$ 2,289,970.00
2009-10	2,289,970.00	(759,197.94)	(385,888.06)	1,144,884.00

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

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DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

21. INTERNAL SERVICE FUNDS

The following is a summary of financial information as reported in the internal service funds for the 2009-10 fiscal year:

	Self-Insurance Funds				Total
	Health and Hospitalization			Workers' Compensation Liability Insurance	
	Group Health Insurance	Group Dental Insurance	Group Vision Insurance		
Total Assets	$ 8,646,539.72	$ 1,757,678.79	$ 522,532.87	$ 5,236,996.19	$ 16,163,747.57
Liabilities and Net Assets:					
Accounts Payable	$ 2,723,381.50	$ 142,168.24	$ 38,568.87	$ 10,626.37	$ 2,914,744.98
Estimated Insurance Claims Payable	2,852,863.00	230,805.00	29,892.00	1,144,884.00	4,258,444.00
Unrestricted Net Assets	3,070,295.22	1,384,705.55	454,072.00	4,081,485.82	8,990,558.59
Total Liabilities and Net Assets	$ 8,646,539.72	$ 1,757,678.79	$ 522,532.87	$ 5,236,996.19	$ 16,163,747.57
Revenues:					
Insurance Premiums	$ 26,693,886.75	$ 2,652,534.89	$ 484,339.62	$ 1,955,888.74	$ 31,786,650.00
Interest Income	38,496.93	5,599.82	1,565.70	18,693.76	64,356.21
Total Revenues	26,732,383.68	2,658,134.71	485,905.32	1,974,582.50	31,851,006.21
Total Expenses	(30,848,562.78)	(2,143,598.02)	(449,643.53)	(409,311.70)	(33,851,116.03)
Change in Net Assets	$ (4,116,179.10)	$ 514,536.69	$ 36,261.79	$ 1,565,270.80	$ (2,000,109.82)

22. 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 $5,567,266 workforce development program appropriation. In addition, the District processes and pays the salaries and benefits of FCTC employees, which are subsequently reimbursed by FCTC.

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Summary information derived from the component units' June 30, 2010, 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	$ 1,282,282	$ 259,693	$ 588,610	$ 2,130,585
Investments			51,293	51,293
Accounts Receivable, Net	275,578		19,241	294,819
Due from Primary Government	802,715			802,715
Pledges Receivable			52,726	52,726
Inventories	107,900			107,900
Prepaid Items			2,486	2,486
Capital Assets:				
Depreciable Capital Assets, Net	2,451,612	57,314	5,218	2,514,144
TOTAL ASSETS	$ 4,920,087	$ 317,007	$ 719,574	$ 5,956,668
LIABILITIES				
Salaries and Benefits Payable	$	$ 40,605	$ 22,731	$ 63,336
Accounts Payable	136,296	1,381	4,876	142,553
Deferred Revenue	314,386			314,386
Long-Term Liabilities:				
Portion Due Within One Year:				
Compensated Absences Payable	145,106			145,106
Portion Due After One Year:				
Compensated Absences Payable	870,979			870,979
Total Liabilities	1,466,767	41,986	27,607	1,536,360
NET ASSETS				
Invested in Capital Assets	2,451,612	57,314		2,508,926
Restricted			401,127	401,127
Unrestricted	1,001,708	217,707	290,840	1,510,255
Total Net Assets	3,453,320	275,021	691,967	4,420,308
TOTAL LIABILITIES AND NET ASSETS	$ 4,920,087	$ 317,007	$ 719,574	$ 5,956,668

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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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	$ 4,592,902	$ 481,840	$ 473,353	$ 5,548,095
Pupil Personnel Services	2,867,705			2,867,705
Instruction and Curriculum Development Services		3,924		3,924
General Administration		396,194	51,530	447,724
School Administration	833,318			833,318
Fiscal and Community Services	952,480			952,480
Central Services	59,470			59,470
Operation of Plant	1,001,320			1,001,320
Maintenance of Plant	517,003			517,003
Total Expenses	10,824,198	881,958	524,883	12,231,039
PROGRAM REVENUES				
Charges for Services	2,450,235	33,104		2,483,339
Operating Grants and Contributions	1,555,122			1,555,122
Capital Grants and Contributions	514,250	73,070		587,320
Total Program Revenues	4,519,607	106,174		4,625,781
Net Expense	(6,304,591)	(775,784)	(524,883)	(7,605,258)
GENERAL REVENUES				
Grants and Contributions, Not Restricted to Specific Programs	6,667,317	806,883	615,481	8,089,681
Unrestricted Investment Earnings	4,016	1,657	7,333	13,006
Total General Revenues	6,671,333	808,540	622,814	8,102,687
Change in Net Assets	366,742	32,756	97,931	497,429
Net Assets - Beginning	3,086,578	242,265	594,036	3,922,879
Net Assets - Ending	$ 3,453,320	$ 275,021	$ 691,967	$ 4,420,308

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

23. SUBSEQUENT EVENT

The District issued Certificates of Participation, Series 2010-QSCB (Qualified School Construction Bonds), dated September 20, 2010, in the amount of $16,000,000 to finance the construction of a new elementary school. The Series 2010-QSCB Certificates were issued as direct subsidy bonds, whereby the District pays the full amount of taxable interest to the lender, and then files for a direct cash subsidy payment from the United States Treasury. The Series 2010-QSCB Certificates have a stated interest rate of 4.94 percent, all of which is eligible for direct subsidy from the United States Treasury.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE -
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
For the Fiscal Year Ended June 30, 2010

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues				
Intergovernmental:				
Federal Direct	$ 233,749.00	$ 299,011.12	$ 320,040.57	$ 21,029.45
Federal Through State and Local	250,000.00	250,000.00		(250,000.00)
State	65,141,768.50	69,689,619.26	69,692,312.78	2,693.52
Local:				
Property Taxes	130,527,517.00	131,990,728.07	134,871,190.85	2,880,462.78
Miscellaneous	3,011,400.20	10,112,603.25	8,897,567.28	(1,215,035.97)
Total Revenues	199,164,434.70	212,341,961.70	213,781,111.48	1,439,149.78
Expenditures				
Current - Education:				
Instruction	121,180,048.22	131,237,415.93	118,282,258.83	12,955,157.10
Pupil Personnel Services	10,664,658.04	11,104,430.51	10,999,020.27	105,410.24
Instructional Media Services	3,888,731.40	3,941,049.60	3,903,255.60	37,794.00
Instruction and Curriculum Development Services	3,022,564.00	3,199,790.75	3,137,646.35	62,144.40
Instructional Staff Training Services	192,016.00	1,027,842.27	998,971.94	28,870.33
Instruction Related Technology	3,925,362.00	3,961,473.21	3,749,833.91	211,639.30
School Board	654,508.00	646,332.41	573,530.60	72,801.81
General Administration	333,940.00	341,126.90	335,557.25	5,569.65
School Administration	12,812,122.49	13,261,489.41	12,641,011.14	620,478.27
Facilities Acquisition and Construction	3,328,407.64	7,989,990.88	4,582,224.99	3,407,765.89
Fiscal Services	1,520,611.00	1,545,974.26	1,528,169.31	17,804.95
Food Services				
Central Services	2,792,304.23	2,968,773.48	2,575,901.82	392,871.66
Pupil Transportation Services	10,166,938.00	10,729,195.55	9,907,738.51	821,457.04
Operation of Plant	19,680,369.73	20,319,293.29	18,589,933.55	1,729,359.74
Maintenance of Plant	12,760,494.45	8,111,740.52	7,564,696.02	547,044.50
Administrative Technology Services	756,680.00	770,335.18	641,161.60	129,173.58
Community Services	118,704.50	4,580,351.96	2,816,474.26	1,763,877.70
Fixed Capital Outlay:				
Facilities Acquisition and Construction		213,538.50	213,538.50	
Other Capital Outlay		276,847.48	276,847.48	
Total Expenditures	207,798,459.70	226,226,992.09	203,317,771.93	22,909,220.16
Excess (Deficiency) of Revenues Over Expenditures	(8,634,025.00)	(13,885,030.39)	10,463,339.55	24,348,369.94
Other Financing Sources (Uses)				
Operating Transfers In	8,634,025.00	8,634,025.00	8,394,973.49	(239,051.51)
Inception of Note			480,063.32	480,063.32
Proceeds from Sale of Capital Assets			28,038.85	28,038.85
Insurance Loss Recoveries			3,618.69	3,618.69
Operating Transfers Out		(317,050.20)	(317,050.20)	
Total Other Financing Sources (Uses)	8,634,025.00	8,316,974.80	8,589,644.15	272,669.35
Net Change in Fund Balances		(5,568,055.59)	19,052,983.70	24,621,039.29
Fund Balances, Beginning		38,313,169.39	38,313,169.39	
Fund Balances, Ending	$ 0.00	$ 32,745,113.80	$ 57,366,153.09	$ 24,621,039.29

Special Revenue - ARRA Economic Stimulus Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
$	$ 67,924.00	$ 46,985.55	$ (20,938.45)
14,663,700.75	19,328,373.15	15,332,764.08	(3,995,609.07)
14,663,700.75	19,396,297.15	15,379,749.63	(4,016,547.52)
8,975,306.30	11,692,275.70	10,762,138.81	930,136.89
315,299.00	379,747.15	318,523.23	61,223.92
1,324,716.48	2,444,731.25	1,296,959.72	1,147,771.53
1,626,091.00	3,280,524.15	1,593,804.31	1,686,719.84
174,880.00	1,473.00	1,473.00	
630,806.18	684,973.17	501,597.14	183,376.03
76,981.79			
	9,296.00	2,040.25	7,255.75
	25,000.00	24,936.44	63.56
1,539,620.00	275,000.00	275,000.00	
	603,276.73	603,276.73	
14,663,700.75	19,396,297.15	15,379,749.63	4,016,547.52
$ 0.00	$ 0.00	$ 0.00	$ 0.00

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

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
7/1/2005	$ 0	$ 47,103,660	$ 47,103,660	0%	$ 74,022,750	63.6%
10/1/2007	0	101,836,119	101,836,119	0%	110,357,392	92.3%
10/1/2007 (1)	0	79,372,892	79,372,892	0%	110,357,392	71.9%
1/1/2009	0	112,079,956	112,079,956	0%	121,342,166	92.4%

Note (1): The District obtained an updated October 1, 2007, actuarial valuation after changing certain Plan provisions.

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010

1. BUDGETARY BASIS OF ACCOUNTING

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds except no budget appropriation is made for notes payable in the year of inception.

2. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The January 1, 2009, unfunded actuarial accrued liability of $112,079,956 was significantly higher than the October 1, 2007, liability of $79,372,892 as a result of increases in the costs experienced by the Other Postemployment Benefits Plan combined with only small changes in premiums charged to retirees, and offset by changes in the assumed rates of participation, as discussed below:

- The average cost of coverage provided to employees, retirees, and their dependents increased from $698 per subscriber per month for the year beginning July 1, 2007, to $838 per subscriber per month for the year beginning July 1, 2008, which was substantially more than the $768 expected for this period in previous valuation. This had a substantial increasing effect on the costs and liabilities.
- The medical and prescription cost trend assumptions were increased, mainly because the premiums charged to retirees did not keep pace with increasing costs. The previous valuation assumed that the trends for both costs and retiree premiums were 10 percent initially for the first year and decreasing 0.5 percent annually to the ultimate value of 5 percent; however, for the year beginning July 1, 2009, premiums charged to retirees were not changed. Therefore, in the current valuation, the trend rate for premiums charged to retirees for the year beginning July 1, 2009, was reduced to 0 percent, while the trend rate for the cost of benefits was assumed to be 9 percent. For years beginning July 1, 2010, the trends for both costs and retiree premiums were assumed to increase 8.5 percent and decrease by 0.5 percent per year to an ultimate rate of 5 percent. This had an increasing effect on the costs and liabilities.
- The number of covered active employees decreased from 3,360 in the October 1, 2007, valuation to 2,885 as of January 1, 2009. Additionally, the number of retirees covered decreased from 401 as of October 1, 2007, to 337 as of January 1, 2009. These decreases were not expected and had a decreasing effect on the costs and liabilities.
- The introduction of the Medicare Advantage plan as of January 1, 2009, resulted in the migration of 70 covered retirees to the new plan from the District's core plan. This migration was recognized in the January 1, 2009, valuation and projected to future years, which had a substantial decreasing effect on costs and liabilities.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

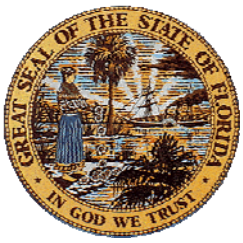
ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2010

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	$ 590,709.32	$
National School Lunch Program	10.555	300	2,340,609.06	
Summer Food Service Program for Children	10.559	323	58,824.98	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)	None	367,747.40	
Total Child Nutrition Cluster			3,357,890.76	
Florida Department of Health:				
Child and Adult Care Food Program	10.558	A1927	12,187.80	
Florida Department of Education:				
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	76,981.79	
Total United States Department of Agriculture			3,447,060.35	
United States Department of Labor:				
Indirect:				
First Coast Workforce Development, Inc.:				
ARRA - WIA Youth Activities	17.259	None	57,490.32	
Total United States Department of Labor			57,490.32	
United States Department of Transportation:				
Direct:				
Highway Research and Development Program	20.200	N/A	58,564.63	
Total United States Department of Transportation			58,564.63	
United States Department of Education:				
Indirect:				
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 222, 223, 226, 228	2,663,657.97	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223, 226	716,205.75	
Total Title I, Part A Cluster			3,379,863.72	
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	4,210,221.41	
Special Education - Preschool Grants	84.173	267	109,108.77	
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	3,242,442.33	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	267	103,291.47	
University of South Florida:				
Special Education - Grants to States	84.027	1725-1040-00-A	88,127.92	
Total Special Education Cluster			7,753,191.90	
Education of Homeless Children and Youth Cluster:				
Florida Department of Education:				
Education of Homeless Children and Youth	84.196	127	19,997.68	
ARRA - Education of Homeless Children and Youth, Recovery Act	84.387	127	6,173.49	
Total Education of Homeless Children and Youth Cluster			26,171.17	
Educational Technology State Grants Cluster:				
Florida Department of Education:				
Education Technology State Grants	84.318	121	18,334.14	
ARRA - Education Technology State Grants, Recovery Act	84.386	121	16,187.23	
Total Educational Technology State Grants Cluster			34,521.37	
State Fiscal Stabilization Fund Cluster:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	10,078,312.99	330,231.99
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	1,093,169.03	49,749.00
Total State Fiscal Stabilization Fund Cluster			11,171,482.02	379,980.99
Florida Department of Education:				
Adult Education - Basic Grants to states	84.002	191, 193	155,384.99	155,384.99
Career and Technical Education - Basic Grants to States	84.048	151, 161	477,821.56	227,563.00
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	111,129.58	
English Language Acquisition Grants	84.365	102	24,629.07	
Improving Teacher Quality State Grants	84.367	224	898,756.09	
School Improvement Grants	84.377	126	3,689.50	
Total United States Department of Education			24,036,640.97	762,928.98

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For the Fiscal Year Ended June 30, 2010

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 Health and Human Services:				
Direct:				
Head Start Cluster:				
Head Start	93.600 (3)	N/A	$ 950,837.65	$
ARRA - Head Start	93.708 (4)	N/A	46,985.55	
Total United States Department of Health and Human Services			997,823.20	
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	234	28,643.54	
Total Corporation for National and Community Service			102,392.54	
United States Department of Homeland Security:				
Indirect:				
Florida Department of Community Affairs:				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	460F, 460S	9,626.61	
United States Department of Defense:				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	68,794.62	
Air Force Junior Reserve Officers Training Corps	None	N/A	60,016.55	
Navy Junior Reserve Officers Training Corps	None	N/A	112,858.85	
Total United States Department of Defense			241,670.02	
Total Expenditures of Federal Awards			$ 28,951,268.64	$ 762,928.98

Notes:
(1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.
(2) Noncash Assistance - National School Lunch Program. Represents the amount of donated food received during the fiscal year. Donated foods are valued at fair value as determined at the time of donation.
(3) Head Start. Expenditures include $23,674.45 for grant number/program year 04CH0594/12 and $927,163.20 for grant number/program year 04CH0594/13.
(4) Head Start - ARRA. Expenditures include $46,985.55 for grant number/program year 04SE0594/01.



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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, 2010, 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 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

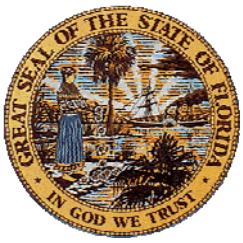
We noted certain additional matters that are discussed in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report.

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 17, 2011



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The President of the Senate, the Speaker of the
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Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR 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 (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2010. 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 its 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 $2,635,227 in Federal Awards for the fiscal year ended June 30, 2010. 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 OMB *Circular A-133*. **(WP FCTC SWFA FYE 6-30-10)**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB *Circular A-133*. 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 compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2010. 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 to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding 1. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 the response.

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 17, 2011

ST. JOHNS COUNTY
DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 a material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a 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:	Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 - ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, 84.391 - ARRA, and 84.392 - ARRA); Career and Technical Education - Basic Grants to State (CFDA No. 84.048); Improving Teacher Quality State Grants (CFDA No. 84.367); State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 - ARRA and 84.397 - ARRA); and Head Start Cluster (CFDA Nos. 93.600 and 93.708 - ARRA)
Dollar threshold used to distinguish between Type A and Type B programs:	$868,538
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, 2010

ADDITIONAL MATTERS

Finding No. 1: Ad Valorem Taxation

Section 1011.71(2), Florida Statutes, provides that each school board may levy against the taxable value not more than 1.5 mills for specified capital outlay related purposes. Section 1011.71(5), Florida Statutes, provides that a school district may expend up to $100 per unweighted full-time equivalent student from the revenue generated by the tax levy for certain specified purposes, including paying the cost of premiums for property and casualty insurance necessary to insure school district educational and ancillary plants. The District accounts for the capital outlay tax levy proceeds in the Capital Projects – Local Capital Improvement (LCI) Fund.

The District transferred capital outlay tax levy moneys from the LCI Fund to its General Fund to reimburse certain insurance premiums, totaling $1,926,394; however, District records did not evidence that the entire transfer was for insuring District educational and ancillary plants. These premiums totaled $752,515 and included student accident, $278,600; excess worker's compensation, $193,871; school crisis risk, $23,019; crime, $2,181; and automobile and other liability insurance, $254,844. Subsequent to delivery of our preliminary and tentative findings, District personnel provided documentation evidencing other General Fund expenditures exceeding the $752,515 of questioned costs that are allowable uses of capital outlay tax levy proceeds and could be charged to the LCI Fund. However, without adequate controls to ensure that District records evidence that capital outlay tax levy proceeds are expended for authorized capital outlay related purposes, the risk is increased that the District will violate applicable expenditure restrictions.

Recommendation: The District should enhance its procedures to ensure that District records evidence that capital outlay tax levy proceeds are expended only for authorized purposes.

Finding No. 2: Performance Assessments

Section 1012.34(3), Florida Statutes, requires the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of employees, the procedures must primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3), Florida Statutes, at the school where the employee works. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes, include evaluation measures such as the employee's ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction and use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies. Section 1012.34(3)(d), Florida Statutes, requires that, if an employee is not performing satisfactorily, the performance evaluator must notify the employee in writing and describe the unsatisfactory performance.

The District established performance assessment procedures based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes, except that District records did not sufficiently evidence that instructional personnel and school

administrators were evaluated based primarily on student performance using data such as FCAT scores. Although the instructional personnel evaluation form indicated that the evaluation was based on student performance data, the form did not have a performance category addressing student performance. Additionally, only two (22 percent) of the nine categories used to evaluate school administrators were related to student performance (leadership, including school improvement plans, and student growth/achievement). District personnel indicated that the various evaluation categories used for instructional personnel generally pertained to student performance, and that student performance data is utilized in evaluating school-based administrators, including requiring a rating of "effective" or higher in the two categories related to student performance to be eligible for performance based compensation. However, District records did not sufficiently evidence a correlation between student performance and the employee performance assessments nor that such assessments were based primarily on student performance. For example, the evaluation forms did not provide a numeric or percentage indicator to show that student achievement was the primary contributing factor used to evaluate employee performance. Without sufficiently documenting the extent to which student performance affects employee performance, performance assessments of instructional personnel and school administrators are incomplete and may not effectively communicate the employee's accomplishments or shortcomings.

Recommendation: The District should ensure that performance assessments of instructional personnel and school administrators are based primarily on student performance, and maintain records evidencing this.

Finding No. 3: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes, provides that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes, requires the Board to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and must allow differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes. Such policies and procedures could establish and clearly communicate the performance measures affecting instructional employee compensation. In addition, the Board had not adopted formal policies and procedures establishing the documented process to identify the instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes. Such policies and procedures could specify the prescribed factors to be used as the basis for determining differentiated pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The District's 2009-10 fiscal year salary schedules for instructional personnel and school-based administrators and applicable union contracts for instructional personnel provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes, could be improved, as follows:

- **Instructional Personnel**. Contrary to Section 1012.22(1)(c)2., Florida Statutes, the instructional personnel salary schedule and union contract did not evidence that a portion of the compensation of each instructional employee was based on performance.

  The instructional personnel salary schedule and union contract provided salary supplements for additional responsibilities beyond the standard work day, such as supplements for athletic and drama coaches and department chairpersons. Also, the salary schedule and union contract evidenced consideration of school demographics by providing additional compensation to instructional personnel in schools identified as low socio-economic, of critical shortage areas by providing additional compensation for speech and language pathologists and certified behavior specialists, and of level of job performance difficulties by providing additional compensation to instructional personnel assigned to certain exceptional student education positions. However, District records did not sufficiently evidence the basis for identifying speech and language pathologists and certified behavior specialists as critical shortage areas. Such documentation could include records evidencing a minimal number of applicants, high personnel turnover rates, and other factors demonstrating the difficulty of hiring and retaining particular personnel.

- **School-based Administrators**. The salary schedule for school-based administrators evidenced consideration of differentiated pay for additional responsibilities and job performance difficulties by providing a differing administrative pay grade for high school principals, and for school demographics by providing additional compensation for administrators in schools identified as low socio-economic. However, the salary schedule did not evidence consideration of differentiated pay based on critical shortage areas for school-based administrators, contrary to Section 1012.22(1)(c)4., Florida Statutes. District personnel indicated that the salary schedule did not provide differentiated pay for critical shortage areas because there were none; however, District records did not evidence that criteria had been established for determining critical shortage areas for school-based administrators.

Without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlated to their compensation and the various differentiated pay factors were consistently considered and applied.

Recommendation: The Board should adopt formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c), Florida Statutes.

Finding No. 4: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Section 119.071(5)(a), Florida Statutes, provides, in part, that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so, or is imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that if the District collects an individual's SSN, it must provide that individual with a written statement indicating whether the collection of the SSN is authorized or mandatory under Federal or State law, and identifying the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the SSN is collected. This section also provides that SSNs collected by the District may not be used for any

purpose other than the purpose provided in the written statement. This section further requires that the District review whether its collection of SSNs is in compliance with the above requirements and immediately discontinue the collection of SSNs for purposes that are not in compliance.

The District collected SSNs such as those listed on employee applications; new employee information sheets; forms for retirement contributions, withholding taxes, and background checks; volunteer application forms; and on student applications. Our review disclosed that, because of oversights, the District did not always follow the statutorily required procedures for collecting SSNs, as follows:

- The District collected SSNs from individuals applying to volunteer within the District and from individuals applying to enroll in the Retired and Senior Volunteer Program (RSVP); however, the application form did not evidence the purpose for collecting the SSN, identify the specific Federal or State law governing its collection, or indicate whether its collection was authorized or mandatory.
- The District collected SSNs from employee applicants online; however, the online application did not indicate whether collection of the SSN was authorized or mandatory.

Subsequent to our inquiries, the District updated the volunteer and employee application forms to include the required disclosures, and removed the SSN request from the RSVP form. Effective controls to properly monitor the need for and use of SSNs and to ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

Recommendation: The District should continue its efforts to ensure compliance with Section 119.071(5)(a), Florida Statutes.

Finding No. 5: Charter School Funding

Section 1002.33(17)(b), Florida Statutes, sets forth the methodology for funding the District's charter schools. Pursuant to this statute, the funding must be the sum of the District's operating funds from the Florida Education Finance Program and the General Appropriations Act, including gross State and local funds, discretionary lottery funds, and funds from the District's current discretionary millage levy; divided by total funded weighted full-time equivalent students in the District.

Our review disclosed that the District did not provide its three charter schools with their proportionate share of the additional 0.25 discretionary millage levied for critical operating needs pursuant to Section 1011.71(3)(b), Florida Statutes, totaling $59,495. District personnel indicated that the additional discretionary millage moneys were not paid to the charter schools because the District's intent was to use the funding to help maintain the facilities that were formerly maintained with local capital improvement millage funding. However, the additional 0.25 discretionary millage was levied to fund operating needs and is considered part of the operating funds required to be used to fund charter schools pursuant to Section 1002.33(17)(b), Florida Statutes. For one charter school, the District remitted the required remaining proportionate funding share of $21,798 in December 2010 after the charter school's contracted audit firm questioned the school's monitoring procedures for ensuring the accuracy and propriety of the allocations received. The other two schools were provided their required remaining proportionate funding shares of $23,688 and $14,009, respectively, in January 2011.

Recommendation: The District should continue its efforts to ensure that its charter schools are provided with their appropriate share of State and local funding.

Finding No. 6: Group Health Self-Insurance Plan

The District provides for employee health and hospitalization insurance through a self-insurance plan pursuant to Section 112.08, Florida Statutes. Section 112.08(2)(b), Florida Statutes, requires the District to submit its plan, along with a certification as to the actuarial soundness of the plan, to the Florida Department of Financial Services, Office of Insurance Regulation (OIR) for plan approval. The statute further provides that OIR will not approve the self-insured plan unless it determines that the plan is designed to provide sufficient revenues to pay current and future liabilities as determined according to generally accepted actuarial principles. After implementation of the approved plan, the District must annually submit to OIR a report within 90 days after the close of the fiscal year of the plan, that includes a statement prepared by an actuary as to the actuarial soundness of the plan.

Although the 2009-10 plan year annual report to OIR was due September 28, 2010, the District filed its 2009-10 plan year annual report on February 8, 2011, or 133 days after the due date. Based on the actuarial review, the plan's estimated surplus was approximately $4.9 million, confirming the actuarial soundness of the plan. However, without timely filing annual reports, the District may limit OIR's ability to properly monitor the District's plan.

Recommendation: The District should enhance procedures to ensure that annual self-insurance plan reports are timely filed with, and approved by, OIR.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Federal Awards Finding No. 1:
Federal Agency: United States Department of Education
Pass-Through Entity: Florida Department of Education
Program: State Fiscal Stabilization Fund - Education State Grants (CFDA No. 84.394-ARRA)
Finding Type: Noncompliance and Significant Deficiency
Questioned Costs: Not Applicable

Subrecipient Monitoring. The District had not established adequate procedures over Federal funds passed through to the First Coast Technical College (FCTC) to demonstrate compliance with the monitoring requirements of United States Office of Management and Budget (OMB) *Circular A-133*, paragraph 400(d). Pursuant to this circular, a pass-through entity is responsible, in part, for identifying certain Federal award information to subrecipients, such as the award name and awarding Federal agency; advising subrecipients of Federal requirements and monitoring subrecipient Federal compliance; and ensuring that subrecipients expending $500,000 or more in Federal awards during the fiscal year obtain the required audits. In addition, the pass-through entity is responsible for implementing procedures to timely track the Federal funds passed-through to, and expended by, each subrecipient to determine the level of accountability required; adequately considering factors such as size of awards, percentage of the total program's funds awarded to the subrecipients, and the complexity of the compliance requirements; and properly documenting the process. Subrecipient monitoring normally occurs throughout the year and may include reviewing financial and performance reports submitted by the subrecipient, performing site visits to review financial and programmatic records and observe operations, and regular contacts and appropriate inquiries with the subrecipients concerning program activities.

The District, as the sponsor for FCTC, was required to pass-through State Workforce Development Program funding. For the 2009-10 fiscal year, a portion of the Workforce Development Program funding provided to the District included Federal State Fiscal Stabilization Fund - Education State Grants funds, totaling $330,232, which were

made available through the American Recovery and Reinvestment Act (ARRA). These funds were budgeted and expended to construct a building on the FCTC campus, to replace the roof on another building, and to upgrade lighting energy efficiency. Our review of the required OMB *Circular A-133* audit report obtained by FCTC disclosed that the opinion on the State Fiscal Stabilization Fund - Education State Grants program was qualified for noncompliance with procurement and contracting requirements applicable to the construction projects, including the Davis-Bacon Act requirements, Suspension and Debarment requirements, and the Buy American Act. The District's monitoring procedures over these program funds included reviewing a sample of expenditures to ensure the purchase occurred in the period of availability, was allowable for the Federal grant, the invoice matched the purchase order, the account coding was correct, and that capital outlay purchases were properly reported in the subsidiary capital asset records. However, the District's monitoring procedures did not include ensuring compliance with the Davis-Bacon Act, Suspension and Debarment, and Buy American Act requirements.

When applicable Federal program compliance requirements are not adequately identified and communicated to subrecipients, and timely monitored by the District, the risk of material noncompliance is increased.

Recommendation: The District should enhance its procedures for monitoring State Fiscal Stabilization Fund - Education State Grants program moneys passed through to subrecipients to ensure compliance with applicable OMB *Circular A-133* requirements.

District Contact Person and Title: Tim Forson, Associate Superintendent for Operational Services

PRIOR AUDIT FOLLOW-UP

The District has taken corrective action for findings included in our report No. 2010-153.

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, 2010

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 (CFDA Nos. 10.553, 10.555, and 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.	This finding does not warrant further action.	This finding does not warrant further action because at least two years have passed since the finding was reported, the grantor is not following up on the finding, and a management decision was not issued.
2010-153 (1)	Career and Technical Education – Basic Grants to States (CFDA No. 84.048) / Allowable Costs/Cost Principles	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.	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.

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 17, 2011

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

Re: St. Johns County School District Board's Written Response to the Preliminary and Tentative Audit Findings for the fiscal year ended June 30, 2010

Dear Mr. Martin,

Below are our responses to the Preliminary and Tentative Audit Findings for fiscal year ended June 30, 2010.

Finding No. 1 - Ad Valorem Taxation

District Response:

Consistent with prior practices, the District's procedures provide for an identification of other expenditures in the General Fund that can be charged to the local capital improvement fund. As indicated in the audit finding, the District provided documentation evidencing other General Fund expenditures exceeding the $752,515 that are allowable uses of capital outlay tax levy proceeds. These expenditures total, in excess, of $2.5 million.

Finding No. 2 - Performance Assessments

District Response:

We respectfully disagree with this finding. As we stated:

1. We presented an Evaluation process to the Department of Education as a result of the change in Statute in 1996. It was accepted by DOE and we have continued to use that system for 15 years. The legislature and the DOE offered two alternatives to alter the evaluation process (STAR and MAP) during this period of time. Our School Board decided not to participate. DOE accepted our denial to participate.

2. Our Principals do use student data as an indication when completing the annual assessment. We believe that the data is used as a primary indicator of the performance of the teacher and it is reflected in the assessment.

EXHIBIT A

MANAGEMENT'S RESPONSE (CONTINUED)

We are pursuing the *Race to the Top* objectives and are currently modifying the teacher and principal assessment as required to accept RttT funds. We will have, for the 2011-2012 school year, an alternative assessment which will clearly meet the requirements of Statute.

Finding No. 3 - Compensation & Salary Schedule

District Response:

We respectfully disagree with your interpretation of our actions and documentation related to Teacher Differentiated Pay. The suggestion for improvement, you offered, on page three of the findings indicated that we should consider using the *minimal number of applicants* as an indicator of *Critical Shortage.* We have for several years used data from the Human Resources Department on the lack of applicants to determine which position to reward. In order to make sure our procedures are documented and understood by all, we will provide improved specific written procedures through contract negotiation, as compensation is a collective bargaining requirement not a Board Policy requirement. We will provide a Board approved written procedure for compensation of School Administrators in the AMC salary Schedule related to Differentiated Pay which will outline procedures for awarding Critical Shortage as additional pay.

Finding No. 4 - Collection of Social Security Numbers

District Response:

As stated in the audit finding, the District has appropriately updated the volunteer and employee application forms to include the required disclosures and removed the SSN request from the RSVP form.

Finding No. 5 - Charter School Findings

District Response:

The District had the understanding that we were not required to allocate funds from the .25 mills to Charter Schools. Subsequent to a charter school audit it was determined that the District did owe the funds to the Charter Schools. These funds have been paid to the schools.

Finding No. 6 - Group Health Self-Insurance Plan

District Response:

The District will enhance procedures to ensure that the annual self-insurance plan reports are timely filed with, and approved by, the Florida Department of Financial Services, Office of Insurance Regulation.

EXHIBIT A

MANAGEMENT'S RESPONSE (CONTINUED)

Federal Awards Findings No.1 – State Fiscal Stabilization Fund - Education State Grant (CFDA No. 84.394-ARRA)

District Response:

The District acknowledges this finding and has implemented procedures to ensure future compliance with applicable OMB Circular A-133 Requirements.

Sincerely,

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

cc: School Board Members
Conley Weiss